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JPRS-EEI-85-058

10 July 1985

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

DTIC QUALITY INSPECTED 8

19980302 048

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10 July 1985

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

ROMANIAN COOPERATION WITH CEMA COUNTRIES IN FIELD OF STATISTICS

Bucharest REVISTA DE STATISTICA in Romanian Dec 84 pp 56-61

[Article by Dr I. Nicola, deputy director general and I. Dumitrescu, department head at the Central Directorate of Statistics: "Romanian Statistics, Active Participant in International Cooperation"]

[Excerpt] With the constant direction and guidance of the Romanian leadership and especially with the initiatives, concern and innovative contributions of the party's secretary general, Nicolae Ceausescu, to improvements in the system to manage social and economic activities, the science of statistics has, for its part, gained new worth in the basic tasks assigned to it--to ensure a statistical-based information system. This has proven to be the primary factor in the enhanced prestige Romanian efforts in statistics have gained both at home and abroad.

The dynamics of cooperative undertakings in statistics can be demonstrated in several distinct areas, each of equal importance. First of all, in bilateral relations, there have been increases in the exchanges of information between Romanian specialists and those of other countries, in the exchanges of publications and various materials dealing with methodology, in the assistance granted by Romania to developing countries in the area of statistics, and in the joint publication of works on statistics in conjunction with statistical organizations of other nations.

Secondly, Romanian statistics have participated in cooperative efforts within international organizations. In the bilateral arena, Romanian efforts in statistics have been directly targetted at developing and strengthening our country's relations, particularly with socialist states given the general considerations that bind our country to those states because of the commonality of our social systems. "Without exception," Comrade Nicolae Ceausescu has pointed out, "Romania's relations with the socialist states are carried out in a unitary framework based on our principled, firm and consistent policy of strengthening the unity of all socialist countries to enhance the force and influence of socialism in the world."

Thus the cooperation in the field of statistics with these countries has taken on the form of numerous reciprocal exchanges of experience in practically all areas of statistics with such countries as Bulgaria, Czechoslovakia, the German Democratic Republic, Yugoslavia, Poland, Hungary and

the Soviet Union. Distinct from these exchanges was the assistance that Romanian specialists gave--in the form of exchanges of experience in developing national statistics--in establishing large scale statistical data bases such as population and housing censuses, industrial censuses, a general inventory of fixed assets, as well as machine manipulation of data, etc. Beneficiaries of this assistance included the People's Republic of China, Cuba and Mongolia. Another form of bilateral cooperation was the reciprocal exchange of statistical publications, materials on methodology and computer software for managing statistical data.

Noteworthy in relations with developing countries is the training in economics, in cybernetics and statistics, of a significant number of specialists from these countries at the Academy of Economic Statistics and at other institutions of higher learning. Furthermore, in concrete projects, a significant number of developing countries has benefitted from the training and expert-level experience of Romanian statisticians sent by our state to these countries for relatively long tours of duty. These statisticians have helped to improve the organization of national statistics and to organize and carry out population and housing censuses, industrial research projects, establish population statistics, work force data and so on. Countries such as Guinea, Zaire, Ruanda, Madagascar, Upper Volta, Benin, Burundi and others have benefitted from this assistance.

Based on our country's foreign policy principles of developing cooperative relations with all countries in various fields, we have had mutually beneficial cooperative ventures in statistics with concerned organizations in a number of developed capitalist countries where we have had exchanges of experience in areas of common interests. Such have taken place, for example, with France, Great Britain, Italy, Sweden and others.

Bilateral cooperation in statistics has dovetailed nicely with multilateral cooperation carried out with the participation of the Central Directorate of Statistics in the activities of statistical organizations of various international bodies, especially CEMA and the UN.

Within CEMA, this cooperation has been in the form of the participation of the Central Directorate of Statistics [CDS] in activities carried out directly in CEMA or under the aegis of the CEMA permanent commission for cooperation in statistics.

Given the need for a wide-ranging exchange of experience and information concerning the socio-economic development of the CEMA member countries and their economic and technical-scientific cooperation, Romanian statistics have been involved in all theoretical, methodological and informational activities that have been carried out by this commission. In this, CDS statisticians have made an important contribution to establishing principles of methodology in a statistical balance of the national economy and to the methodology of balancing ties between the branches of the national economy. They have made important contributions to the establishment of a methodology for a statistical process to monitor specialization and cooperation in production and for

a system of cooperation indicators within CEMA including one for tracking the process of equalizing the level of development, to the creation of a methodology for comparing the principal indicators and to the studies in comparison themselves.

The important contribution of Romanian statistics to establishing and continuously improving the classifiers and nomenclature used in cooperative activities in statistics deserves mention. For example, the Romanian delegation to the commission has the task, as principle author, to coordinate the production of "Classifying Sectors of the CEMA Member States' National Economies," a document used in analyzing economic structures and in coordinating the CEMA member states' economic development plans with other important cooperative ventures within CEMA.

Periodic international meetings under CEMA constitute an opportunity to exchange opinions and experience in the area of statistics, to allow important steps to be taken in developing statistics and, most importantly, to offer the possibility that national statistics can contribute to the creation of a system of indicators used in CEMA cooperation and, implicitly, to benefit from the common experience of states in developing the national statistics of each state.

Within the CEMA permanent commission for cooperation in statistics, our country has reported on its experiences in different domains. In recent years it has presented works on methodology referring to practical problems of statistics on the regional level, in calculating national income by region and in using population census data in the period between the two censuses.

An important area where the Central Directorate of Statistics has made a significant contribution has been in the cooperative efforts of CEMA member states in automatic data processing of statistical information and, especially, in developing and improving the technical principles for creating an automated system for state statistics. This has meant determining the principles and methods for designing the data base, improving programs etc.

There has been a rich exchange of experience between the computer centers of the national statistics organizations regarding machine data processing. Exchange of special programs for processing information and of documentation have made it easier for specialists from other countries to implement new methods in this important area of processing statistical information. As principal authors, coauthors or participants with their own ideas for establishing theoretical principles or practical solutions, Romanian data specialists from the computer center of the Central Directorate of Statistics have promoted fruitful cooperation, sharing with other countries the experience they have gained in various areas. Of particular note among the themes presented by Romania include those for a system of standard programs for manipulating statistical data, a tele-data processing system for manipulating operative statistical data referring to fulfillment of national or regional level plans, generators of tables and charts etc.

The exchange of information concerning the level and rate of development of the CEMA member states was carried out through publication of a number of

annuals, bulletins or compilations of general statistical data as well as data on the principal sectors of the national economy. Also, there was a series of collections on the development of economic cooperation in foreign trade, specialization and cooperation in production by CEMA member states and other works.

Within CEMA, the participation of the Central Directorate of Statistics in activities in the area of statistics is based on the concept of the party secretary general, Comrade Nicolae Ceausescu. "We believe," Comrade Nicolae Ceausescu pointed out in the speech he delivered commemorating the 40th anniversary of the anti-fascist, anti-imperialist revolution of social and national liberation, "that the improvement of cooperation within CEMA has a particularly important role in demonstrating socialist relations as the model for new relations between states--relations based on the principles of full equality, equitable international cooperation and reciprocal advantage."

The Central Directorate of Statistics is intensely involved in multilateral cooperative activities within the UN organizations concerned with statistics and within the UN Economic Commission for Europe. Indeed, our country was thrice named member of the UN Commission on Statistics, holding this position between the years 1956-1960, 1960-1964 and 1977-1980.

Romania actively participates as a member in the cooperation in Europe within the Conference of European Statisticians ever since the founding of this EEC-UN organization.

Romania's active participation in the work of the Conference of European Statisticians is mirrored in the presentations made by Romanian specialists at the conference's meetings. They have presented studies dealing with methodology and practical applications which demonstrate the experience of Romanian work in statistics on various topics. Among these presentations we would like to mention the studies describing CDS experiences in using the Agricultural Register as a source for statistical research on the country's agricultural farms, in adapting the informational system to the planned requirements of the leadership and to the demands of economic and social activities, on the topic of training and rotating personnel in statistics, in manipulating the data in population and housing censuses and in developing the nomenclature for polluting substances required for studies on pollution and the environment and for adopting measures to protect the environment.

Also, at the Conference of European Statisticians meetings, the Central Directorate of Statistics has expressed its interest in establishing a system of indicators which demonstrates a country's socio-economic development and in improving professional training in statistics in light of the new technological advances in manipulating data.

Indicative of our country's role in promoting economic and technical-scientific cooperation was the hosting in Bucharest of the first international seminar on automated data processing of statistical information in 1968. This seminar was the starting point for organizing cooperation in this domain among European countries and for ensuring a forum for periodic discussions of the primary problems in using computer technology. It has

provided a place to share the experiences gained by the national organizations dealing with statistics and to hold an exchange of opinions regarding the latest developments of automated processing of statistical information.

In connection with the cooperation between countries in using computers in statistics and in developing automated statistical systems, our country joined a UNDP/EEC/UN project designed to facilitate--within a formal framework--the exchange of experience in the use of computers, the transfer of advanced methods of data processing used by developed countries to developing countries or to countries with less experience in this area, and the development through joint efforts of a system of programs designed to boost the efficiency of statistics-based activities to inform national decision-making organizations and to create automated statistical information systems.

Within the general guidelines regarding the development of the economic, technical-scientific and cultural relations of our country with other states and in the intensification of Romanian participation in the exchange of national and spiritual values, Romania activity in statistics has made and continues to make its contribution to the development of statistics. It does this both by making use of its own experience in organizing and improving the national statistics-based information system and through an active and productive cooperation with similar institutions in other countries. It is animated by the desire to ensure that the common language of statistics contributes to the understanding and rapprochement among peoples and to the strengthening of international cooperation.

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CSO: 2700/150

CZECHOSLOVAKIA

FIRST QUARTER 1985 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech No 17, 1985 p 2

[Commentary by Eng Vaclav Jezdik, Federal Bureau of Statistics: First Quarter of 1985]

[Text] The national economy had to contend with two working days less from January through March than last year. Moreover, this year winter was colder: in comparison with the long-term average, the average daily temperature was lower by 4.9 degrees Celsius in January and by 4.6 degrees Celsius in February.

Severe frosts during the first two months had an impact primarily on the dynamics of the construction industry, public freight transportation and capital construction, but shortfalls also occurred in some branches of industry.

Industrial production rose 1.1 percent during the first quarter, while the average daily production rose by 3.7 percent. The state plan assumes a growth of 2.9 percent (in comparison with actual results in 1984). Economic plans for the volume of gross output were fulfilled up to 99.8 percent. Had they been fulfilled to 100 percent, the average daily output would have risen by 3.9 percent. In comparison with the dynamics projected by the state plan, the economic plans for the first month of the year therefore show an unused capacity, which creates conditions for easier fulfillment of tasks in the second half of the year.

Overall results in the first quarter were improved substantially by the March results, which were marked by a gradual levelling of shortfalls in the volume indicators. The number of enterprises which did not fulfill their assignments (37.8 percent of the total) declined in comparison with February. The shortfall in production, which at the end of February stood at 1,552 million Kcs, declined toward the end of March to 294 million Kcs, representing the output of 0.11 day.

The deficiencies in implementing the economic plans are very differentiated. While the fuel branch had an overrun, the nonfulfillment of planned tasks in the metallurgy and heavy industry branches represented the output of 0.88 day, in general machinery of 0.60 day, and in the electric equipment industry of 0.55 day. The relatively highest shortfalls occurred in the production of building materials.

The economic plans of the centrally planned industries, however, counted on dynamics 1 point higher than the rate of the state plan for the year. Converted to that rate, a head start of 2.3 billion Kcs in production was achieved in the first quarter, i.e., roughly the output of 0.9 day.

In comparing the tasks of the state plan and the economic plans, the shortfalls in the volume indicators of production were by and large made up. It has to be kept in mind, however, that in specific individual enterprises, the under-fulfillment of economic plans in the first quarter can be made up also in April or May.

By the end of March, the centrally planned industries succeeded in implementing and exceeding the economic plans in all aspects of sales and deliveries (at wholesale price) to 101.0 percent for the domestic market, to 107.3 percent for export to socialist countries, to 105.1 percent for export to nonsocialist countries, and by 100.9 percent for production consumption and operation. There are, of course, also some enterprises which did not fulfill their assignments in individual instances; they are disrupting the smooth functioning of deliveries within the total planned range of products, and they could thus endanger the implementation of production assignments by their customers or the final assembly of deliveries for foreign and domestic trade.

In the construction industry, the volume of construction work performed with internal labor resources declined (in comparison with the first quarter of last year) by 8.5 percent, while the state plan for the year assumed a growth of 0.7 percent. The winter weather strongly affected the progress of construction work and its dynamics, particularly in January.

The shortfall in the volume of construction work in January through February of this year represented the output of 5.3 days. The high overfulfillment of the March plan (104.4 percent, while the average daily output was 9.5 percent higher) reduced this shortfall to 1,210 million Kcs, and represents the output of 3.3 days in comparison with the dynamics expected by the state plan.

Agriculture fulfilled its assignments in livestock production. The weather conditions had no effect here, either on production or on utilization. The current plan for procurement of slaughter animals was fulfilled up to 101.8 percent, of poultry to 99.7 percent, and of milk to 101.5 percent. The unfavorable weather delayed the start of spring activities in plant production. Work to make up for the loss of planting time is going on even now.

On the other hand, public freight transportation was greatly affected by this winter. Particularly hard hit was river transportation; the economic plan for the first quarter was fulfilled up to 61.7 percent, even though in March plan was exceeded (105.5 percent). Deficiencies in implementing the plan also occurred in railway transport and road transport of the Czechoslovak Automobile Transportation. The Czechoslovak State Railways fulfilled the quarterly plan for transportation to 91.4 percent, and the Czechoslovak Automobile Transportation to 92.3 percent. The average daily freight on the railways declined, and the duration of round trip by car unit increased almost by 10 percent.

From January through March (in comparison with the same period last year) shipments by public freight transport declined by 10.2 percent, of that, 8.2 percent by the Czechoslovak State Railways, 11.1 percent by the Czechoslovak Automobile Transport, and 36.9 percent by river transport.

The implementation of the plan for capital investment in January and February was at a low level. This was evident mainly in the case of building projects (excluding comprehensive housing unit construction), where the volume of investment work and deliveries declined almost 20 percent as compared with January and February of last year. In March there was a marked improvement in the implementing of planned assignments; according to estimates, the volume of investment work and deliveries made in March was roughly equal to the volume achieved during the first two months.

Of the state plan for 1985, roughly 15 percent of the investment work and deliveries, not quite 15 percent of the construction work, and somewhat more than 15 percent of the machinery and equipment projects, were done in the first quarter.

The planned assignments in the number of housing units to be delivered were realized up to 87.4 percent, the number of housing units being roughly at the same level as in the first quarter of last year.

In the domestic market, the plan for retail turnover of the major trade systems was fulfilled up to 99.5 percent. The economic plan for the first quarter was met only by the Food Stores (101 percent), and was exceeded by the Coal Stores (114.5 percent); other organizations have not fulfilled the plan, even though in the month of March plan fulfillment markedly improved, and the rate of retail turnover in the Trading Center for Industrial Goods and the Department Stores accelerated.

The results of economic development in the first quarter have shown that the economy is able to cope with obstruction to continuous development. The January and February frosts also verified the readiness of individual enterprises and their ability to react quickly to a given situation. During the first quarter we witnessed again the dedication of the working people, their efforts to face up to difficult conditions and make up the shortfalls in fulfilling the plan, which they practically succeeded in doing in the industries, while the shortfalls in the building sector was considerably reduced.

The aftermath of this winter, however, will not be nullified merely by making up the shortfalls. There still remain serious problems in the qualitative indicators. There was increased consumption of fuels and energy, and other cost factors connected with removing the effects of the freezing weather also rose. That was evident from the fact that the plan for adjusted value added was not fulfilled, either in industry or in construction. The projected share of the costs of materials in production is not being achieved. At the same time, the plan for 1985 assumes a marked decline of production consumption, with the goal of building a base for even more economical programs in the area of production consumption for the duration of the Eighth 5-Year Plan.

Basic Indicators of National Economic Development in March 1985

<u>Increase Over Comparable Period During the</u> <u>Past Year (in percent)</u>	<u>Jan-Mar</u>	<u>State Plan¹</u>
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Deliveries of the Centrally Administered Industries for:

--investments at wholesale prices	+5.1	-
--domestic market	1.2	-
at wholesale prices	1.9	-
at retail prices		
--export to socialist countries	4.7	-
at wholesale prices	5.4	-
at FBO prices		
--export to nonsocialist countries	1.9	-
at wholesale prices	-0.2	-
at FBO prices		
--other sales for industrial production and other operations at wholesale prices	0.9	-
volume of industrial production	1.1	2.9
average number of employees	0.6	0.6 ²
labor productivity based on industrial production	0.5	2.5 ²

Construction

construction work performed with internal labor resources	-8.5	0.7
average number of employees	0.0	0.6
labor productivity based on construction work	8.4	0.1
housing units delivered by contracting enterprises	0.9	25.3

Procurement

slaughter animals (including poultry)	-0.6	-1.1
milk	-1.5	-2.1
eggs	1.0	-6.4

Retail Turnover of the main trade systems

	2.7	4.1
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Foreign Trade³

export to socialist countries	-6.2	2.4
export to nonsocialist countries	-8.4	-1.9
import from socialist countries	-2.0	3.8
import from nonsocialist countries	-7.8	8.9

1. Actual 1985

2. Expected 1985

3. Details from implementation of federal plan according to CSSR Government
Decree No. 308/84

12605

CSO: 2400/409

CZECHOSLOVAKIA

STRENGTHENING OF PAY ACCORDING TO MERIT PRINCIPLE URGED

Prague PLANOVANE HOSPODARSTVI in Slovak No 2, 1985 pp 1-9

[Article by Eng Michal Olah, first deputy chairman of the CSSR People's Control Committee: "To Enhance Economic Effectiveness of Rewards by Strengthening Pay According to Merit"]

[Text] In conjunction with the mobilization of intensive factors in the growth of our economy, increasingly insistent demands are heard that the effect of rewards for work done be further enhanced when fulfilling the tasks of our party's socioeconomic program. For that reason we must demand more urgently that the principle of rewards in socialism--to each according to the amount, quality and social importance of his work--be fully observed in every place of work.

The tasks in this sector follow from the policy outlined by the 16th CPCZ Congress. The report on the party's activity and the development of our society since the preceding congress and on the future tasks of our party noted, among other things: "Rewards for work must be linked as firmly as possible with higher labor productivity, efficiency, economic management and quality of goods. We must act more resolutely to overcome egalitarian tendencies and various false social approaches to rewards. Every worker's living standard should correspond with his contribution to the development of our society. It is no secret that some individuals are living off our society and that they are paid not for their work but for their coming to work."

The solutions to this undesirable situation which adversely affects our economy have been articulated in greater detail in "The Main Directions of the Socioeconomic Development of the CSSR in 1981-1985" and in the measures for improving the mechanisms of planned control of the development of wages payable in enterprise incentives and their distribution by means of the personal incentive system. That means that in practice the comprehensive program for improving economic efficiency of the wage system acts in accordance with the Set of Measures which should guarantee better quality, high efficiency and economy of labor.

Therefore, in the recent period the CSSR People's Control Committee in cooperation with the CSR VLK [People's Control Committee] and the SSR VLK focused

particular attention in its control programs on the principles of merit when rewarding the achievements of labor; the Federal Ministry of Labor and Social Affairs participated in the control programs. Furthermore, numerous data of the State Planning Commission, the Federal Ministry of Finances, the Federal Price Bureau and the Czechoslovak State Bank were used in the review.

The purpose of the review was to assess the effect of the decisive and determining indicators on the development of wages payable and their efficient application in accordance with the results achieved by enterprises in dynamism, quality and technical standards of their products and their use, and to pinpoint the sources of unearned funds and their justification. Another vital task of the review was objectively to evaluate the processes of redistribution, their determination by direct and indirect mechanisms of management, the application of the principle of personal incentives, the efficiency of wage systems and the level of the normative base in certain selected sectors and enterprises, and on the basis of the obtained data to introduce measures for a more efficient enforcement of the principle of merit for the achievements of labor. This procedure was intended as a reply to questions of efficiency of the wage control system and of practical measures in the sector of rewards, taking into consideration the fact that the development of nominal wages over the past period had deviated from the objectives of the Seventh 5-Year Plan and had not been offset by corresponding accomplishments of labor that would have increased our national income. The review took place in the sectors of metallurgy and heavy engineering, general engineering, in the ministries of industry and construction in both republics, in 17 VHM [economic production units] and their selected enterprises.

In the socialist sector of our national economy (not including the JRD [unified agricultural cooperatives]) wages payable advanced in 1981-1983 more rapidly than projected for the Seventh 5-Year Plan. In 1983 the planned growth of average wages for the entire 5-year period had already been overrun by 0.9 percent and thus, additional Kcs 4 billion were paid to workers in the socialist sector of our national economy (not including the JRD). That acceleration took place primarily in economic organizations. In 1984 average wages continued to go up again.

In organizations included in the state plan the amount of wages paid for the period of the first and third quarter of 1984 in our national economy was 2.4 percent higher than in the same preceding period. Thus, the projection of the state plan, according to which the increase should have been 1.2 percent, had been conspicuously exceeded. This growth of the volume of wages in the period under study stemmed above all from an increase in the first quarter which was almost twice as high than in the other quarters. The organizations used 67 percent of the increase in wages to raise the average wage and 33 percent to expand their work forces. However, the state plan had envisaged an inverted application--about 80 percent to expand work forces and about 20 percent to raise the average wage. Therefore, the actual development was marked by a substantially higher volume of wages than planned and by a smaller increase in work forces than planned.

At the same time economic organizations failed to apply in the above-mentioned 3-year period all their rights to draw from the accumulated excess in wages

payable; in 1981-1983 they left Kcs 3.2 billion untouched in their capital funds for rewards. Had they used those funds, as they were entitled according to wage control regulations, the volume of wages would have increased in an even more dramatic way.

Considerable wages payable were saved in the first and third quarters of 1984. Total savings amounted to 3.8 percent, which was more than the planned shares in economic achievements. By the same token, in comparison with the same preceding period, organizations achieved the same savings with a limited higher than planned accumulation of wages payable, because they had managed the sector of operational wages more efficiently.

From a long-term perspective, several factors affected this development of wages to various degrees and intensity, such as, among others, the approach to counterplanning, the regulations for control of wages payable and their separation from the returns to foreign trade, the lenient requirements for the access of the organizations to resources, particularly in the sector of price-setting for new products, preferential pricing, material incentives for exports, adverse effects of the assortment of goods, etc.

The data obtained from audits confirmed that the wages paid had not always resulted in higher economic efficiency and greater production of national income whose dynamism had slowed down in the first 2 years of the 5-year plan, as reflected in the growth of its wage standards.

At the same time material consumption declined at a faster rate, above all because of the readily accessible unused capacities, particularly by restrictions on cooperation and orientation of the production on goods which require less material inputs and which are also more profitable. However, no advantage was taken of opportunities to save by means of R&D as a decisive factor for use of additional untapped resources and for continuous reduction of material consumption in production.

Considerable overruns of outputs provided space for higher accumulation and distribution of wages payable in economic organizations. Nevertheless, such a development does not fully conform with the rate of national income and with efficient trends in utilization of the production. While reviewing the plan the ministries made additional amendments of the standards on the basis of projections of various effects and changes into annual plans, nevertheless the tendencies to underestimate the projected fulfillment during the drafting of annual plans and the inefficiently controlled wage development prevented the principles of merit from being consistently enforced in the khozraschet area. Efforts to provide favorable conditions for the fulfillment of planned tasks in the VHL and enterprises were evident; in the situation of 1983 the tasks of the 5-year plan fulfilled over the past 3 years confirmed that the indicator--adjusted value added--had not been progressive enough and, thus, the standards for wages payable were not properly challenging.

In the framework of the stipulated regulations the ministries gained ample leeway for their specification of details which they applied in individual stages of the drafting of their economic plans to lower gradually the standards

specified for individual VHJ. Specification of lax standards and their further mitigation in the course of the year when adapting economic plans led to the development of excessive wages payable and in a number of cases, also to equalization of rewards. The changes in economic plans contributed to an overwhelming extent to the fulfillment of indicators determining the accumulation of wages payable and to the production of sufficient resources for payment of wages.

The reviews disclosed that, in order to raise average wages, the middle level of management quite frequently proceeded in such a way that it planned uniform increases of average wages for its subordinate organizations, regardless of the achievements of their labor. Merit principles were further weakened because managers of those organizations also released unplanned grants to subordinate organizations to guarantee increases of average wages. Such trends have been confirmed by mutual comparison of the achievements in 17 engineering VHJ managed by the Federal Ministry of Metallurgy and Heavy Engineering and the Federal Ministry of General Engineering, which demonstrated that, on the average, half of the 10 VHJ where average wages had risen in the past 3 years above the average (from 4.5 percent to 6.4 percent) achieved below-average dynamism in their fulfillment of quality indicators (efficiency of exports to nonsocialist countries, efficiency of fixed production assets, material consumption in production). By the same token 3 of 7 VHJ with a below-average growth of average wages (from 2.3 percent to 4.5 percent) had achieved above-average results. Such practices then led to an unfair redistribution of funds for wages payable. The trends toward undesirable redistribution and equalization should be stopped above all on the level of general directorates and the VHJ, particularly by more efficient management and control exercised by executives in organizations under their administration. That would not curtail responsibility for a correct application of the principles of pay according to merit and of other factors of management, because the information gained during the reviews revealed that such principles had not been systematically applied along the entire axis of management--not only when making specifications and changes in the plan but also when adopting counterplans.

The special compensation fund did not always serve as an incentive for the achievement of the best results possible, especially for more efficient production. Since it was established on the level of the VHJ and not of the enterprises, many middle-level managers would redistribute its assets among their enterprises with no direct linkage with merit and the accumulation of such assets. Consequently, the special compensation fund would not always appeal to the material interests of every enterprise in improving its performance. It turned into a source of guaranteed wage increases even when outputs declined and often to the detriment of enterprises with better economic achievements.

Furthermore, the lenient application of the principles of price incentives, mainly of preferential pricing of goods with high technical standards and quality, fashion novelties and luxury goods facilitated the accumulation of excessive resources and thus, also increased demands for higher wages payable. At the same time utility values of such products were not always in line with

the challenges of our domestic and foreign markets; the enterprises seemed to have "forgotten" pricing that penalized obsolete goods and third quality products (only few of such products have been penalized and the economic impact thereof was negligible). Due to the unsophisticated technical criteria the application of mechanisms of price incentives was further affected by the vague determination of technical standards and quality of goods. Economic criteria based on top foreign products have not been widely applied in mandatory rating. Moreover, the line of the rated goods was inadequate since quality rating was limited to only about 34 percent and the rating of technical standards to about 9 percent of all goods.

More rigorous criteria have not been applied in the rating particularly of consumer goods, as evident from the fact that some exported products rated as top quality were subject to premium pricing although their export was not more profitable than that of comparable standard goods which had not been marked up as quality products.

While premium pricing was in effect, not much attention was paid to the question whether quality goods markup was in agreement with the conditions under which it was applied. That resulted in a situation where the actual economic achievement failed to meet the projection for quality goods markup. In order to increase the usable wages payable, the manufacturing organizations violated price regulations in force and the assessments in the sector of premium pricing by expanding their production of fashion and luxury goods above the stipulated limit, to the disadvantage of their production of regular lines of goods, without quality goods markup in accordance with the concluded contracts.

The unjustified overpricing of new products, the disregard for mandatory price regulations, and the conditions under which prices were set led to the accumulation of undeserved wages.

Because of their violation of price regulations, enterprises were charged additional fines which reduced their disposable profits used as enterprise assets; however, they were not subsequently projected in the disposable amount of wages payable, even though the amount of paid wages was affected by the funds acquired unjustifiably due to violations of price regulations.

Economic organizations were able to accumulate excessive wages payable because of unprofitable production assets determining the amount of the incentive factor of wages payable (about 20 percent of total wages), i.e., approximately Kcs 90 billion in 1981-1983. However, this correlation failed to improve the use of fixed production assets and the development of inventories. During the above-mentioned period the profitability of fixed production assets declined by 11.6 percent and average inventories increased by 12.6 percent.

Inventories, particularly of finished goods without guaranteed sales, exceeded the plan and that made it possible to accumulate undeserved wages payable. In order to stimulate the interest of enterprises, regulations offer the option of linking higher exports of goods with the accumulation of the

incentive factors of wages payable by using the indicator of export efficiency instead of profitability of production assets; however, no advantage was taken of that opportunity.

Furthermore, inefficient wage control contributed to shortcomings in enforcing the correct application of the principle of pay according to merit. The reviews confirmed that individual branches had not focused control consistently on testing the justification of the accumulation and distribution of wages payable among the enterprises and VHJ. Wage controls were focused only on material incentives for teams and employees, on the application of wage forms on the rating of employees within the wage system, on contracts for jobs performed by external forces, etc.

The data gained from the reviews by the CSSR People's Control Committee and the VLK of both republics were used already during the reviews when drafting policies stipulating more rigorous conditions for the accumulation of wages payable. The CSSR Government approved those measures by its Decrees Nos 277/1983 and 74/1984, which narrowed the opportunities for calculating the planned volume of wages payable for achievements better than planned (the plan exceeded in decisive indicators); repeated quality markups for certain achievements were restricted and in particular, the penalties for an undesirable development of inventories and, thus, pressures for fulfillment of production were also increased.

The findings of the reviews were included in the draft of "The Main Directions for the Further Development of the Planned Management of the National Economy After 1985."

According to CSSR Government Decree No 298/1984 concerning the results of the reviews of the application of the principles of pay according to merit, planning will further intensify the narrow linkage of wages payable to the accumulation and disposition of national income, the development of personal incomes and expenditures, and payment of incomes from consumer goods inventories and services for pay. The 1985 state plan has set more challenging standards for wages payable in relation to adjusted value added. Rigorous standards for increases in wages payable in relation to the increases in adjusted value added will be set for the Eighth 5-Year Plan in order to curtail opportunities for unjustified increases of wages payable in the fulfillment of the plan.

The 1985 labor and wage plan is not only realistic but also stimulating. It proceeds from the aspiration to obtain a favorable balance in the development of wages and employment in relation to other plans (especially to the balance of personal incomes and expenditures), to maintain the basic share to cover wages payable from consumer goods inventories, and thus to achieve a balance in our domestic market. The plan focuses on maintaining a desirable relation between the growth of labor productivity and excessive incomes when enforcing the demand that wage demands for adjusted value added and national income be further cut. It includes an adjustment of the procedures for confirmation of annual wage plans of organizations, which will facilitate the adoption of counterplans in adjusted value added so far as that increase is reflected in

the use of the goods to the benefit of our society, in greater cuts of material costs without any depreciation and appropriate growth of profits. Wages payable will be diminished by penalties for violations of price regulations. Furthermore, the method for the determination of price markups on the basis of technical standards and quality of goods will become more rigorous, and preferential pricing will be denied if the conditions under which it had been introduced have changed. Penalties to organizations and individuals will be raised by more accurate projections of losses for substandard products into the indicators for accumulation of wages payable, premiums and bonuses.

Individual ministries and central agencies managing economic organizations must prevent, among other things, unjustified and speculative changes introduced in the course of the year, in particular in indicators for accumulation of wages payable and personal material incentives. When taking steps against enterprises with chronically deficient management, redistribution of resources and tolerance of inadequate economic achievements by means of further amendments to the plan cannot be permitted.

Moreover, it is necessary to adopt without delay measures which will guarantee that the principles of pay according to merit will be consistently applied in intrasectoral khozraschet of individual enterprises and their departments. Every managing agency must ascertain that the funds designated by the VHI to special compensation funds of the enterprises always correspond with their achievements, that annual bonuses paid to their managers depend on their fulfillment of decisive tasks, and that economic achievements of organizations be comprehensively assessed.

Wage control is facing even more demanding tasks. Within the framework of independent topical reviews and periodical audits of management, wage control must also pay more attention not only to correct assignments of individual employees in tax categories and to observation of the principles of personal material incentives but also to a more challenging area--the enforcement of principles of enterprise incentives.

At present we are facing very taxing political-economic programs, namely consistent fulfillment of the tasks stemming from decision of the CSSR Government Decree No 32/1984, pertaining to the second stage of the program for higher economic efficiency of wage systems, which represents an integral part of the improved planned management system not only for the final year of the Seventh 5-Year Plan but primarily for the period of the Eighth 5-Year Plan.

External and internal control performed by the managing agencies plays an irreplaceable role in the fulfillment of this challenging program. The control must focus on a correct creation of standards for employment of labor, and on standardization of auxiliary and service processes whose quality thus far has failed to reach the desirable level. Control operations must also help further upgrade the wage discipline--observation of wage regulations--so that technicians and economists be correctly assigned to appropriate tax categories, bonuses be paid correctly and the socialist principles of pay according to the amount, quality and social significance of labor be observed, etc.

By its Decree No 243/1984 the CSSR Government approved "The Main Directions for the Further Development of the Set of Measures on the Basis of the System of Planned National Economic Management After 1985." The adopted directives constitute part of systematic efforts of our party, state and trade union agencies and organizations aimed at the fulfillment of programs for intensification of our national economy, as stipulated by the 16th CPCZ Congress. They mark another step forward in the process of qualitative changes in the planned management system. They also focus particular attention on the mechanisms of planned management, wage controls, principles of enterprise and personal incentives in khozraschet enterprises, correct accumulation of wages payable and their distribution.

They were formulated on the premise that the system of wage regulations applied thus far had been basically successful. Nevertheless, the experience of its practical implementation--and the conclusions of the reviews--also confirmed that the indicators used in that system still failed to reflect properly and reliably the place of the contribution of organizations to the production of national income. The existing system is further complicated by the excessive range of the so-called addable and deductible items. Therefore, the policies of wage control for the Eighth 5-Year Plan envisage that the mechanism of wage control will become even more rigorous and that it will be simplified, and that the principle of pay according to achievements of labor and utility of the products will be further enhanced. State plans intend to raise the standards for wages payable in economic organizations mainly by application of norms expressing the correlation of the increase of such funds with the increase of adjusted value added rather than the standard level. The rate of standards will be differentiated according to the accounts of the trends in the development of wages and according to the structure of efficiency factors vis-a-vis individual subjects, but not for individual years of the 5-year plan.

Adequate contingency funds for wages payable will be accumulated on the level of the state plan, in particular to cover the balance of the addable and deductible items. Interest on credits will be eliminated from adjusted value added and returns from foreign trade will not be included in it. Within the framework of the planned total volume of wages payable it will be obligatory to eliminate the amount of the special compensation fund (the share of the part of wages payable that is to be paid from disposable profits). By the same token, the point of departure is the current level of the special compensation fund; the amount of bonuses in the plan will be gradually increased and unified. Superior agencies will also have an option to apply standards for the level in those cases where, as compared with the initial base, neither higher adjusted value added nor lower demands for wages may be anticipated.

The mechanism of the accumulation of wages payable on the level of the VHJ and enterprises will be simplified so that supplemental increases--or as the case may be, reductions--of the usable amount of wages payable be limited only in conjunction with the consumption of refined fuels and of electric power, interest rebates and sanctions, the amount of price markups for goods of first and third quality, employment of disabled persons, and bonuses for inventions, improvement proposals and completion of specific tasks of the program. No changes will be made in the opportunity to set the determining

indicator (which as a rule will characterize the decisive objective task of the plan as, for example, a selected assortment of supplies, etc), for the purpose of conversion of the planned amount of wages payable in the course of the fulfillment of the plan. The level of the coefficients of conversion will be unified to a desirable extent.

Individual wage demands will be closely linked to the creation of wages payable by organizations. Premiums and bonuses will be increasingly targeted, particularly in case of managers, on actual improvement of appropriate indicators of labor efficiency and achievements of teams and individuals. If the usable amount of wages payable is exceeded, the premiums and bonuses paid to all employees will be reduced on a mandatory basis (those of the managers will be cut more). A socially justified standard of guaranteed wages will be further ensured. If adjusted value added or certain other indicators are not met, the amount of wages payable will be reduced at most by 8 percent. Mandatory contingency funds amounting to 2 percent of the planned volume of wages payable will be introduced in special compensation funds.

The main directions also envisage a more dynamic impact of foreign economic relations on the determination of the wage development by supplementing and reducing the special compensation fund or the usable amount of wages payable, namely, according to the actual semiannual change in the economic returns of our foreign trade.

Experiments will test potential intensification of economic pressures and simplification of the mechanisms by shifting from differentiated to uniform rates for the contingency of wages payable on actual better achievements, by stipulating standards for only that part of wages payable for which premiums, bonuses and shares in profits will be paid, and by applying total profits (including returns from foreign trade) as the basic criterion.

The program for intensification of the principles of pay according to merit is far-reaching and challenging. Its purpose is to provide the best possible conditions for the fulfillment of the socialist principles of rewards in our economic praxis. Each of the interest sectors must realize that it is not the objective of the program to cut wages, although in some cases it may be necessary to demand that this or that employee justify the amount of his current wages with more demonstrable accomplishments. If the principles of pay according to merit and their control are intensified, it will be but a guarantee of the further development of our socialist society and efficient improvement of the productivity of our national economy.

In 1985 we shall conclude the implementation of the program for socioeconomic development stipulated by the 16th CPCZ Congress. We have all the prerequisites to meet the tasks of the Seventh 5-Year Plan. In its 12th session the CPCZ Central Committee discussed and approved the state plan for the CSSR's socioeconomic development in 1985. While assessing our future tasks, it reviewed the positive process of the fulfillment of the plan in 1984. The overall concept of the state plan for the national economic and technological development and for the financial, budgetary and credit policies for 1985 has

provided favorable conditions for a further growth of efficiency and for the acceleration of the process of intensification.

When meeting these objectives our wage policy must also assume an active role. That will involve consistent implementation of the tasks reemphasized at the 12th session of the CPCZ Central Committee in the Report of the Presidium of the CPCZ Central Committee on the state plan for the socioeconomic development in 1985: "The managers and trade union agencies and organizations must continue to demand that wages, premiums and bonuses directly depend on the achievements and performance of the worker, the worker's team and the quality of labor. We may count on the support of an overwhelming majority of our working people for the principles of our wage policies and for demands that the systems of wages and rewards be better organized. Every level of management must actively cooperate with our party and trade union officials and organizations in providing conditions for a further growth of efficiency and better stewardship, and for the achievement of higher wages, personal earnings and thus, also a higher living standard."

The CSSR People's Control Committee, the VLK of both republics and other sectors in the system of people's control will take an active part in the fulfillment of these objectives. Moreover, we shall guide toward those goals the control system along the line of the management, so that the internal control system and its individual sectors may held fulfill the tasks of the plan for 1985 and upgrade the intensity and quality of their control programs.

9004

CSO: 2400/410

CZECHOSLOVAKIA

SLOVAK COUNCIL VIEWS PACT EXTENSION, ECONOMY

LD201654 Bratislava Domestic Service in Slovak 1030 GMT 20 Jun 85

[Text] The 17th session of the Slovak National Council, which is taking place in Bratislava, was opened by Vilian Salgovich, the chairman of the Slovak National Council, who welcomed Josef Lenart, member of the CPCZ Central Committee Presidium and first secretary of the CPSL Central Committee, Peter Colotka, member of the CPCZ Central Committee Presidium, and the prime minister of the Slovak Socialist Republic, and other guests, among whom is Jan Kotvald, member of the Czech National Council Presidium. Ladislav Mikus reports about the discussion:

[Mikus] Comrade Vilian Salgovic recalled at the outset of the session the importance of having representatives of the Warsaw Pact states, sign the protocol on the extension of the Treaty of Friendship, cooperation, and Mutual Assistance and said, that for 30 years of its existence the pact has represented an impenetrable shield of collective security and at the same time represented a decisive factor of military balance on the European and worldwide scale. The Slovak National Council deputies will continue to develop and support its principles and spirit.

Then Frantisek Miseje, Slovak Socialist Republic finance minister, presented the explanation of the draft of the final state budget for 1984. Despite complicated economic conditions, said Comrade Miseje, the positive tendencies of the national economic development were further reinforced. Various tasks outlined by the state plan were overfilled, social resources growth continued at a fast rate, industrial production output grew by 6 percent, agricultural production output grew by 6.5 percent. Levy payments made by economic organizations were a decisive source of budget receipts. In this respect the planned target was overfilled by 6.5 percent. This fact permitted an increase in the outlay for capital construction, for housing stock construction for environmental purposes, and for the social sphere needs.

Despite these successes, said Comrade Miseje, there is a number of problems, the solution of which needs attention. Although the increase accumulation of material resources allowed export volume to increase, the quality of exported goods did not reach the planned level of

effectiveness. This is mainly true about nonsocialist countries' exports. There exist mainly reserves in the application of the intensification process -- that is, in better order and discipline in planning and remuneration, in pricing policy, and in other spheres of economic activity, where so far occurred no desirable change in this direction.

In their discussion, deputies praised highly the state of finances which is to the tune of KCS 82 billion in balance and which represented again further growth of the national economy in Slovakia and growth of standard of living. The deputies, however, pointed critically towards fields of economizing, labor efficiency, and toward unexploited scope in the international division of labor and cooperation with the enterprises of the fraternal socialist countries, above all with those of the Soviet Union.

The problem of secondary raw materials utilization is on the agenda this afternoon.

CSO: 2400/489

CZECHOSLOVAKIA

SLOVAK COUNCIL DISCUSSES ECONOMIC SHORTCOMINGS

LD202059 Bratislava Domestic Service in Slovak 1630 GMT 20 Jun 85

[Report on 17th session of Slovak National Council meeting in Bratislava on 20 June -- passages within quotation marks recorded]

[Text] The deputies of the Slovak National Council meeting at their 17th session in Bratislava today, discussed the state final account of the Slovak Socialist Republic for 1984. Viliam Salgovic, chairman of the Slovak National Council welcomed at the meeting members of the CPCZ Central Committee Presidium Jozef Lenart, first secretary of the CPSL Central Committee, and Peter Colotka, Slovak premier; members of the Presidium and Secretariat of the CPSL Central Committee; and deputy premiers and members of the Slovak Socialist Republic Government. Jan Kotvald, member of the Czech National Council Presidium, was also present. Ladislav Mikus now reports on the meeting:

[Mikus] The whole morning was devoted to the draft final state budget of the Slovak Socialist Republic for 1984 which was presented by Minister of Finance Frantisek Miseje. He said that despite the complicated economic conditions the positive tendencies of the development of our national economy had been strengthened. The decisive contribution to this was made by the raise of industrial production by 6 percent and the growth of agricultural production by 6 and 1/2 percent. The main source of budgetary receipts were receipts from economic organizations. However the minister pointed to the fact that 35 centrally managed organizations in decisive branches had incurred a loss of KCS 2 billion. As regards personal and social consumption the monetary incomes of the population had grown by 3.4 percent -- that is, more quickly than the growth of expenditures which was reflected in the growth of savings. The greatest part of the total budget of KCS 82 billion was spent on social security items to the tune of KCS 25 billion, followed by family allowances, education, health, and culture. At the close of his address Minister of Finance Frantisek Miseje said:

"The comprehensive approach to the questions of effectiveness requires above all paying continued attention to the qualitative factors of further development. This requirement urgently comes to the foreground in this, the last year, of the Five-Year Plan for which we have laid down very

demanding tasks, particularly as regards quality indexes. The complexity of ensuring these tasks is compounded by the fact that the shortfalls caused in the first few months of the year by adverse weather conditions were greater than those in the previous years. However, we are convinced that our economic sphere will make every effort to fulfill planned tasks. This has been borne out by the speedy elimination of shortfalls over the last few months.

"In this we also see a guarantee of ensuring the goals laid down by the directive for the preparation of the eighth Five-Year Plan. The plan emphasizes the further pronounced application of the intensive phenomena of economic growth. Above all, the performance of the economy and a reduction of demands on raw materials, as well as the creation of the national income, must become the key point of our practical endeavor for raising effectiveness."

Nine deputies and two ministers took the floor in the discussion that followed Frantisek Miseje's address. They all gave a positive assessment of the contribution of the budgetary management to the development of the economy and the social sphere, but at the same time they pointed to certain shortcomings and suggested ways to eliminate them. They noted the stabilization of the food market. Anna Petrovicova said in this context:

"To some extent the offer of certain types of goods does not match demand. This includes fish, boned fish, baby biscuits, wafers, and cocoa powder. Citizens criticize the poor quality of certain meat products, noting for examples, excessive salt content and poor durability. There should be a substantial increase in vegetables, fruit and, semifinished meals offered for sale, and the presentation and hygiene of sales in the shops should also be improved."

Some deputies spoke about the questions of the construction industry and construction projects where successes had been achieved but new problems came into being; this was discussed by Deputy Jozef Pincak:

"In the committee deputies also spoke critically about the adverse development of the termination of employment by qualified construction workers from the Ministry of Construction who seek employment above all in the auxiliary enterprises of the united agricultural cooperatives; about 30 percent of all auxiliary enterprises jobs is construction activity. In 1981-84, 1,400 workers left in this way in the East Slovak Region where the loss was the greatest. For these reasons it is desirable to have the government permanently monitor the activity of adopted measures aiming at the stabilization of the labor force in the construction industry."

Despite the successes achieved in agriculture, 161 agricultural enterprises still lag behind. They receive subsidies and grants from society-wide sources. Deputy Elena Duricova said the following in the discussion:

"The results achieved indicate that the measures of the adopted intensification programs are not being consistently implemented everywhere. In this respect the fact that apart from shortcomings of objective nature there are also many caused by the poor organization of labor and nonrational management, including poor control is coming to light. It is therefore justified to call for making the process of backward agricultural enterprises much faster."

There were many stimulating ideas in the discussion and the minister of finance said that the government would use them in its work.

Finally, the deputies unanimously approved the final state budget for 1984.

The next part of the 17th meeting of the Slovak National Council was devoted to the government report on recycling waste in the branches of the Ministry of Industry. The report was delivered by Minister Stefan Urban and eight deputies spoke in the discussion.

At the close of the 17th meeting of the Slovak National Council the deputies approved the release of some professional judges and, at the proposal of the Central Committee Presidium of the National Front, elected new ones.

CSO: 2400/489

CZECHOSLOVAKIA

REPORT ON CHINESE PRIVATE ENTERPRISES

Prague RUDE PRAVO in Czech 20 May 85 p 6

[Text] Peking (CTK)--At the end of 1984, over 2,100 mixed enterprises were registered in China. These are firms established on the basis of purely foreign or joint Chinese and foreign capital or in cooperation with foreign entrepreneurs. These figures were published by the NEW CHINA AGENCY, with reference to the Directorate for Industry and Trade of the State Council of the Chinese People's Republic.

Over 160,000 people worked in all these enterprises and 11,000 of them were foreigners. The majority of them were created with the participation of capital invested from Hong Kong and Macao, but companies from Japan, the U.S.A., Great Britain, and other capitalist countries are also participating in them. Over 870 of these plants are involved with industrial production, 345 with services, 197 with construction work, and others belong to the areas of agriculture, public food services, transportation, etc.

At the end of last year, a total of 3,680,000 enterprises were registered in China. There were 56,820,000 employees in 800,000 state enterprises. There were 2,850,000 collectively owned enterprises with 70,290,000 employees. In addition, there are over 9,400,000 private enterprises in which over 13 million people are employed.

6285

CSO: 2400/433

CZECHOSLOVAKIA

GRAFT PROSECUTION IN CSR

Prague RUDE PRAVO in Czech 29 May 85 p 2

[Text] Prague--A total of 209 persons have been found guilty of the crime of graft this year in the CSR, which is 0.25 percent of the overall number of offenders found guilty for all crimes. Graft is one of the crimes which it is difficult to uncover. It is a criminal act not only to receive bribes, but also subornation and indirect graft. Any unjustifiable advantage is considered a bribe and it does not always have to be a material benefit, but can also be, for example, the mutual exchange of favors.

Information from the courts shows that most of those found guilty of the crime of graft this year tried to bribe, in particular, the agencies of state administration, but there were other, fewer bribes in medical services, education, services, and trade. Every tenth bribery offender was last year found guilty of an unmitigated crime and sentenced to imprisonment.

Employees of the CSR Ministry of Justice, the CSR Supreme Court, and the CSR General Prosecutor informed the press of this problem on Tuesday.

6285

CSI: 2400/433

10 July 1985

CZECHOSLOVAKIA

WATER MANAGEMENT IN SLOVAKIA

Prague RUDE PRAVO in Czech 15 May 85 p 5

[Excerpt] The process of building a mature socialist society in the Slovak Socialist Republic has required further intensifying the development of branches of water management and more fully exploiting surface and underground water sources for the population, industry and agriculture. Major attention is being paid to supplying sufficient water for use by the population, as well as particular branches of the national economy, with Slovakia's territorial configuration and the areal distribution and frequency of precipitation and runoff being taken into account.

In this regard we must state that, in the last 15 years, even though we devoted significant attention to meeting goals in the area of water management, all of the planned improvements to water sources were not accomplished. As a result, there is a shortfall between water needs and the potential of existing water sources. This is most markedly evident in the shortage of drinking water in climatically dry periods.

While eight reservoirs with a total capacity of 490 million m² were opened between 1970-1975, the current drop in investment in water management has caused a slowing in reservoir construction. During the past two 5-year periods not one reservoir was opened. The gap which has been created between water requirements and the potentials of water management can only be narrowed gradually. We expect the surface sources of water in question to be in use in the vulnerable locales no later than 1995. The Nová Bystrica and Starina reservoirs, which are currently planned, will serve their purpose in the coming 5-year plan.

Expansion of the use of underground water sources is progressing according to the established program. This year they amount to 734 million m³ of drinking water, and during the coming period, their exploitable capacity will increase twofold. The building of a multiple conduit from Žitný Ostrov toward deficient areas in southern and central Slovakia will proceed according to the long-range program for constructing water systems. A similar solution is being prepared for improving western Slovakia and southern Moravia's water supply.

Water management improvements for flood protection are proceeding in the Vychodoslovenský Lowlands. Completion will, however, be delayed because of limited financial means. Protecting the territory from the destructive effects of floods demands a more rapid rate of improvement and more concentrated effort, as does the desired intensification of agricultural production. Improvements in water management are also proceeding on the surrounding rivers--the Ipeľ, Slana and Hron. There we are more broadly realizing planned ecological efforts in the countryside. For instance, it has been possible to eliminate problems caused by the Ipeľ's silty runoff by foresting an area of 18,000 ha in its source regions.

As concerns the use of hydro energy, the development of the power source base will benefit from the completed Liptovská Mara reservoir and from the construction, now in progress on the Danube at Gabčíkovo-Nagymaros, of a system of water sluices, the first set of which will be operational by 1990. Furthermore, the water works at Kralova on the Váh, which also have a power potential, are nearing completion. Construction was begun on the fascine at Veľká Kozmalovce, which will serve the Mochovce nuclear power plant and itself be a small hydro power station.

Since 1970 an additional 8300 km has been added to the SSR's water transport network, which was built to keep up with expanding housing construction. Meanwhile, the proportion of the population supplied with water from public mains has increased from 43.4 percent to 69.1 percent. In contrast to the expansion of water transport, however, construction of the sewer network is seriously behind: it was lengthened by only 1900 km during the preceding 5-year periods. The number of people living in buildings which are connected to public sanitation has risen from 28.1 percent to 45.7 percent at present. This disproportion is evidenced by a steep rise in the pollution of surface flow.

Protecting water sources from pollution has long been a focus of attention for party and economic organizations. The situation is continually discussed and monitored. Nevertheless, in recent years pollution has on the whole increased, and in 1983 it was almost one and one-half times more than during the Fifth 5-Year Plan. This unwelcome development likewise increases the risk of depreciating exploited sources of drinking water. Existing capacities do not meet the total extent of the need for disposing of discharged pollution, even though certain key sources of pollution in the SSR are being gradually eliminated: a sewage treatment plant has been built at Ružomberk, one is being completed in Bratislava-Slovnafta, and others have been sited in Žilina and in the SSR's capital, Bratislava.

12290

CSO: 2400/416

CZECHOSLOVAKIA

ELECTRIC RAILROAD EXPANSION

Prague RUDE PRAVO in Czech 15 May 85 p. 2

[Text] On Tuesday, two weeks ahead of schedule, a 39-km section of electric railroad running between Bratislava-Race and Trnava was commissioned for operation. CSSR Minister of Transportation Vladimir Blazek took part in the ceremony, along with representatives of the enterprises which participated in the project, and other guests.

Completion of electric traction from Bratislava to Trnava is an important step in electrification of the Bratislava-Puchov line, which links the CSSR's two major railroad networks. The newly completed section represents a further impulse to more efficient transportation and environmental protection.

Since the electric section between Trnava and Leopoldov has been operating since last year, Tuesday's event means that electric traction has a green light along the entire 57-km Bratislava-Leopoldov line.

12290
CSO: 2400/416

CZECHOSLOVAKIA

BRIEFS

SOIL EROSION--Some 87,000 hectares of agricultural land in the Czech Socialist Republic are threatened by wind erosion and about 1,393,000 hectares by water erosion. Each endangered hectare loses anywhere between 200 kg and 30 metric tons of arable soil annually. [Summary] [Prague ZEMEDEL'SKE NOVINY in Czech 6 Jun 85 AU]

VISITING GDR OFFICIAL--Prague (CTK) -- Jan Fojtik, CPCZ Central Committee Presidium candidate member and secretary, received on 6 June Heinz Adameck, chairman of the GDR's State Television Council; in a friendly talk they discussed issues of further cooperation between the television organizations of the two countries in the presence of Jan Zelenka, central director of Czechoslovak Television. [Summary] [Prague RUDE PRAVO in Czech 7 Jun 85 p 2 AU]

CHEMISTRY EXPERTS CONFER--CTK -- The session of the Problems Commission of the academies of sciences of socialist countries, which dealt with coordination chemistry and the preparation and qualities of coordination compounds concluded on 7 June in Smolenice with the signing of the Protocol. Participants from Bulgaria, the GDR, Poland, the USSR, and CSSR formulated the tasks of working places involved in coordination chemistry for the next five years and appointed responsible coordinators for the solution of the main tasks. [Summary] [Prague RUDE PRAVO in Czech 8 Jun 85 p 2 AU]

VISITOR FROM AFGHANISTAN--CTK--Abdul Rahim Hatif [name as published], the new chairman of the Afghan National Patriotic Front, arrived in Prague on 5 June at the head of a 2-member delegation of the Front, the delegation, which has come to the CSSR for a friendly visit at the invitation of the CSSR National Front Central Committee, was received by Miloslav Vacik, deputy chairman of the National Front Central Committee in the Czech SR and chairman of the Czechoslovak Committee of Solidarity With the People's Of Africa, Asia, and Latin America. [Summary] [Prague RUDE PRAVO in Czech 7 Jun 85 p 2 AU]

INDUSTRIAL COOPERATION WITH INDIA--Bohumil Urban, CSSR minister of foreign trade, concluded talks in Delhi on 5 June with Indian ministers of finance, trade and industry, chemical industry, steel and mining industry, and with the minister of energy, on concrete projects

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involving Czechoslovak-Indian cooperation in the sphere of metallurgy, energy, petrochemistry, mining equipment, and in other spheres. The realization of these projects will constitute a substantial increase in the exports of Czechoslovak machinery and in particular of turn-key projects to India. [Text] [Bratislava PRAVDA in Slovak 7 Jun 85 p 7 AU]

CEMA BIOMEDICAL COUNCIL--The 21st session of the Council of Plenipotentiaries to the CEMA agreement on the development of biomedical instruments and equipment for research and clinical medicine ended in Zidlochovice today. They discussed and approved a draft plan for scientific and technical cooperation for the coming five-year period. The plan focuses above all on raising the share of electronics and automation in providing health service facilities when diagnostic and medical apparatus with the goal of raising the standard of medical care. [Text] [Bratislava Domestic Service in Slovak 1930 GMT 15 Jun 85 LD]

FINNISH OFFICIAL VISITS--Svatopluk Potac, federal vice premier and chairman of the Federal Planning Commission, received in Prague yesterday Governor of the Bank of Finland Rolf Kullberg who is on an official visit of Czechoslovakia. They discussed economic, scientific and technological cooperation between both countries. [Text] [Prague Domestic Service in Czech 0230 GMT 18 Jun 85]

AUDITING COMMISSION CHAIRMEN MEET--Jaroslav Hajn, chairman of the CPCZ Central Control and Auditing Commission, today chaired in Prague an all-state meeting of the chairmen of regional and municipal control and auditing commissions of Prague and in Bratislava. This meeting also dealt with ensuring the tasks outlined for the commissions activities by the 15th session of the CPCZ Central Committee. [No video available] [Text] [Prague Television Service in Czech and Slovak 1730 GMT 21 Jun 85]

SCIENCE COMMITTEE OFFICIAL ARRIVES--Prague June 21 (CTK) -- Czechoslovak Deputy Premier Jaromir Obzina received here today Deputy Chairman of the State Committee for Science and Technology of the Democratic People's Republic of Korea (DPRK) and chairman of the Korean part of the sub-commission for scientific-technical cooperation between Czechoslovakia and the DPRK Ryo Son-gyun. [CTK spelling as received] The Czechoslovak official and the head of a DPRK delegation to the 26th session of the subcommission considered the development of the two countries' relations, especially in the scientific-technical and economic spheres. Also present was DPRK ambassador to Czechoslovakia Kim Kwang-sop. [Text] [Prague CTK in English 1838 GMT 21 Jun 85]

CEMA SESSION--A Czechoslovak delegation arrived in Warsaw today to attend the 40th CEMA session. Here is a report from our permanent correspondent in the Polish People's Republic, Pavel Kopecky: The Czechoslovak delegation, led by Lubomir Strougal, CPCS Central Committee Presidium member and federal premier, also includes Milos Jakes, Presidium member and secretary of the

CPCZ Central Committee; Rudolf Rohlicek, federal deputy premier and permanent Czechoslovak representative to CEMA; Svatopluk Potac, federal deputy premier and State Planning Commission chairman; Zbynek Sojak, director of a CPCZ Central Committee department; and Bohumil Urban, Czechoslovak minister of foreign trade. The delegation was welcomed at Warsaw's festively decorated Okecie airport by Kazimierz Barcikowski, Politburo member and secretary of the PZPR Central Committee; Zbigniew Messner, PZPR Central Committee Politburo member and Council of Ministers deputy chairman; and by other Polish party and state officials. [Excerpt]
[Prague Domestic Service in Czech 1630 GMT 24 Jun 85]

CSO: 2400/489

GERMAN DEMOCRATIC REPUBLIC

BRIEFS

EROSION DAMAGE REPORTED--According to the East Berlin newspaper NEUE ZEIT, GDR agriculture's use of heavy farm machinery has led to considerable soil damage. It was stated that machinery which was too large and heavy was having an adverse effect on even "normal," not too moist soils. The topsoil was compressed, plants took root poorly, the yields decreased. Erosion attacked the vehicle tracks, and during heavy rain, water made deep gullies, too. "No small portion of the GDR's farmland" was affected by wind and water erosion. Large fields, a partiality toward growing catch crops, and the clearing of agricultural fields are additional factors promoting erosion, it was stated. Fertile soil is being washed away, and on portions of some fields, bare rock may be exposed. [Text] [West Berlin IWE TAGESDIENST in German No 75, 21 May 85 p 3]

CSO: 2300/425

HUNGARY

NEW FINANCE MINISTRY DEPARTMENT DEALS WITH SMALL UNDERTAKINGS

Budapest OTLET in Hungarian 16 May 85 pp 18-19

[Interview with Dr Dezso Suto, chief of the Finance Ministry's Main Administration of Control and Auditing, by Janos Serenyi: "Business and Taxes"]

[Text] A Department of Domestic Associations (Belfoldi Tarsasagok Osztalya) has been formed at the beginning of the year within the Finance Ministry's Main Administration of Control and Auditing (PM Ellenorzesi Foigazgatóság), to control and audit the enterprise work associations, work associations, civil-law partnerships, specialized cooperative groups providing industrial services, partnerships, and domestic associations. We interviewed Dr Dezso Suto, chief of the main administration, about the organizational changes and the work of the new department.

[Answer] Whether we admit it or not, the numerical increase of the business organizations commonly known as small businesses has surpassed all expectations. Although I belong among those who had predicted above-average growth, the actual situation has exceeded my expectations as well. To characterize the situation, I merely wish to note that the number of organizations quadrupled between 31 December 1982 to 1 January 1985. This means 28,500 small businesses with about 330,000 members. Our organization has been assigned the tasks of financially controlling and auditing these businesses, which also includes exercising inland revenue's functions in relation to them.

Without exaggerating the difficulties and importance of this work, by way of introduction I merely wish to note that the chiefs of the organization, myself included, and the officials concerned spent many sleepless nights thinking how best to organize and perform our new tasks so as to satisfy the interests both of the national economy and of the small businesses.

After our "start" in 1981, we began specific audits in 1982. That first year our work was predominantly advisory and helpful, but now its controlling and enforcing nature is the dominant. Our initial experience led us to set up within the control and auditing organization, as of 1 January 1985, separate organizational units for these tasks, at the megye administrations and the Main Administration of Control and Auditing.

Without any claim to completeness, I will attempt to list the most important reasons for setting up these separate organizational units:

-- An independent subdivision was needed that adapted itself to the entrepreneurial approach and would be better able to concentrate on the assigned tasks.

-- The control and auditing of unincorporated associations, which for tax purposes qualify as private individuals, require a different outlook and different methods than what are customary in the case of enterprises and cooperatives.

-- The education and training of the officials concerned with small businesses can be solved more readily within the framework of the new organizational unit, which guarantees better feedback of the gained experience to new legislation.

-- Establishment of the new organization may be regarded as an efficient solution from the viewpoint of the national economy, because the new organization has been formed in part through reassignments.

-- And last but not least, the new organization will also mean faster administration.

[Question] What advantages (and perhaps drawbacks) will this present for small entrepreneurs?

[Answer] In my opinion, the new organization will offer mainly advantages. After a time, we will have "identically" thinking officials handling all matters pertaining to the entrepreneurs' obligations. And in this way we will be able to adopt uniform standpoints everywhere from Szombathely to Nyiregyhaza. Another advantage is that entrepreneurs will get much faster these standpoints that are based on policy but are specific nonetheless. It is unquestionably an advantage that the new organizational unit's staff members will be able to develop for their audits and analyses criteria that are better adapted to the sectoral peculiarities, which of course are different from the peculiarities of industrial enterprises or of agriculture.

I am confident that the organizational change will not pose any drawbacks for small entrepreneurs. I do not know of any drawback. But I can promise you that we will not hesitate to introduce suitable corrections if and when we uncover any drawback.

[Question] Organizational changes usually are not free of various difficulties. Is this true of the new department as well?

[Answer] It is partially true. Our biggest problem at present is to find experts with suitable qualifications. In view of the national economy's current situation, we had to keep our requisitions for personnel at a minimum, but even so we cannot make any concessions at the expense of the level of qualifications.

I must frankly admit that in our country the experts who do tax audits and enforce the tax regulations are not always popular, and this profession does not

have much appeal. (I wish to note merely as an item of interest that in Western countries the agencies in question are able to pick and choose among well qualified applicants.) We are striving to make work in this field more attractive professionally, financially and morally. The activities of small businesses can be understood, and objectively investigated and analyzed, primarily on the basis of knowing the results and shortcomings in the operations of enterprises and cooperatives. We need also for this reason experts who know the government's intentions, are familiar with the statutory regulations, and are able to analyze and synthesize. Taking all this into consideration, we decided that we would have to be suitably flexible in some cases. People able to meet all these requirements do not grow on every bush.

We must not forget, of course, that up to now it has been neither necessary nor possible to train economists and lawyers who understand small businesses and their mentality. Now this, too, has to be solved, to enable us to administer and control small businesses, in accordance with our socialist society's construction objectives. Over and above this essential problem, there is also the elaboration of suitable methods; this we will be able to solve quickly, in my opinion.

[Question] In your experience to date, what agendas are causing the most work for the new department?

[Answer] For a small business to operate profitably, the entrepreneur must know his market, his field and, last but not least, the financial and accounting regulations and requirements. We frequently find that some small businessmen are not devoting, nor want to devote, suitable attention to these regulations and requirements. We have attempted to keep the accounting and tax regulations as simple as possible, but a certain amount of professional knowledge is nonetheless necessary to master them. When the tax returns for 1984 were being filed, for example, we found that in the case of enterprise work associations the tax returns were acceptable where the enterprises gave their work associations professional assistance in preparing the tax returns; but elsewhere the tax returns were full of mistakes.

Small businesses often fail to observe the requirements for their establishment and self-regulation, which must be met if they wish to operate legally. We are aware that the requirements sometimes seem excessive, and we intend to change them in some instances. But it is good to remind entrepreneurs that compliance with such requirements protects their own interests and gives them suitable freedom of movement.

Naturally, I feel obliged to mention also the harmful phenomena that rub public opinion, the people on the outside, the wrong way. I have in mind specifically the excesses that manifest themselves in unrealistically high incomes or, moreover, in the drawing and demanding of incomes that are not commensurate with the creation of value. Fortunately, these phenomena are not widespread, but we are determined to oppose them by all available means. Here I wish to note that our present system of pricing provides wide opportunity to reflect the balance of supply and demand in our controlled market, but small businesses must not and cannot abuse this opportunity. Therefore I emphatically wish to call attention to employing a pricing practice that better reflects the actual costs.

Fearing for the enterprise collectives as well, I do not regard as permissible the income opportunities stemming from personal contacts and conflicts of interest, not even when these income opportunities seemingly fill an actual need in some production activity. I could go on listing these and similar shortcomings, but I deem it essential to underline that the shortcomings are individual instances, and it would be wrong to judge small businesses as a whole in their light.

[Question] Are the expectations of small entrepreneurs justified that the establishment of the Department of Domestic Associations, and of the corresponding departments at the megye level, will enhance the development of uniform standpoints, so often missed in the past?

[Answer] Look, the organization that I now head has been in operation for 18 years. Even outsiders admit that it has been able to perform ever better the control and auditing of Hungary's economic units, and the administration of internal revenue in accordance with uniform principles, gaining for itself a considerable professional reputation. I am convinced that this organization, and within it the subdivisions concerned with small businesses, will guarantee uniformity and consistency in this new area as well.

Of course, we are adopting also very specific measures to ensure consistency, uniform criteria in controlling compliance with the regulations, and equal treatment of everyone and in every area. In recent years, for example, we have been giving practical advice--including advice regarding our requirements--to between 10,000 and 15,000 entrepreneurs a year, through our offices that provide services for clients. I would also like to emphasize that uniformity does not mean lumping everyone together. Thus each case is considered individually, with due consideration for the extenuating and aggravating circumstances.

[Question] Misunderstandings often stem from misinformation or incomplete information. Our editors have already received a good many letters from small entrepreneurs requesting that OTLET help to keep them better informed, with information from authentic sources.

[Answer] I think I understand what you are hinting at. I too regard as very important that taxpayers maintain a suitable partnership with the internal revenue agency that controls and audits them and collects their taxes. We always adduce the reasons underlying our decisions and standpoints, and we also strive to acquaint our clients with the government's intentions. Therefore we will gladly undertake to keep the readers of OTLET continuously informed about the most important developments.

[Question] On behalf of our readers, I thank you for your willingness to help. And I promise you that we will avail ourselves of your assistance. Perhaps in this way the distance between domestic associations and the Department of Domestic Associations will be one step shorter.

[Answer] It would perhaps be an exaggeration to urge taxpayers to love their internal revenue agency, but I am confident that it is not impossible to strengthen their mutual understanding and trust. The ever wider application of

market relations presupposes a modern, equitable and simple tax system, the taxpayers' greater discipline, and a respected internal revenue, control and auditing staff.

It is in the state's interest that its enterprises and citizens earn incomes commensurate with their work, and pay taxes commensurate with their incomes. This is how our organization operates, what it is working toward and caring for!

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CSO: 2500/401

HUNGARY

SOURCES OF SUCCESS IN HUNGARIAN AGRICULTURE

Budapest KOZGAZDASAGI KOZLONY in Hungarian No 4, Apr 85 pp 429-438

[Article by Aladar Sipos, Academician, director of the Economics Science Institute of the Hungarian Academy of Sciences: "Sources of Success in Our Agriculture"]

[Text] It is not the mood of the holiday but respect for the facts which obliges us, thinking over the development of the past 40 years, to prepare a positive balance concerning the development of Hungarian agriculture and to speak with recognition of the consistent agricultural policy of the MSZMP, serving the interests of the Hungarian people, of those who developed and implemented this agricultural policy, and of the hundreds of thousands standing their ground in various posts in agriculture without whom the achievements of Hungarian agriculture which have been marveled at so often East and West could not have been achieved.

Base for Successes: Worker-Peasant Alliance

It is well known that the MSZMP inherited a serious situation from the pre-1956 Hungarian leadership, and we would hardly err if we said that the distorted policy of this leadership wounded the Hungarian peasantry most profoundly. The voluntarist economic policy, ignoring the given conditions and traditions of the country, regarded agriculture as the fundamental source for industrialization, as a consequence of which the production of agriculture stagnated in the 1950s. The economically unfounded goals--such as, for example, the goal of the first 5-year plan that the socialist reorganization of agriculture should be carried out in a few years with a 50 percent increase in production--were coupled with the forced organization of the producer cooperatives. These methods were so alien to the Hungarian peasantry that despite repeated running leaps the goals put forward could not be reached. By mid-1956 the share of the cooperative sector out of the agricultural area of the country hardly exceeded 20 percent, and it decreased to 11.3 percent by mid-1957. In addition to the forced collectivization a major role in this decline was played, naturally, by the ideological confusion caused by the counter-revolution.

After the defeat of the counter-revolution, defending and consolidating the people's power became the chief task. Restoring and strengthening the worker-

peasant alliance was an indispensable condition for this, and agricultural policy decisions also had to be subordinated to that.

The party and government took measures which won the trust of the working peasantry. They openly condemned the errors of the years before the counter-revolution, the forced organization of the cooperatives, and they treated the wounds. In addition, agricultural policy had the important task of ensuring and strengthening material interest with the goal of increasing agricultural production amidst the given socio-economic conditions. This significantly supported the producer cooperatives and state farms in consolidating their management and at the same time it improved the production of the individually working peasants and their material situation.

Among the agricultural policy measures of this period we must mention two significant decisions which significantly influenced not only agricultural policy but also the entire system of economic policy tools. One came in November 1956. It abolished the obligatory delivery system and introduced in its place a new, uniform system of state purchases. As a result of this the system of relationships based on sub- and superordination was replaced by a commodity relationship based on contracts of a coordinate character.

For the sake of historical reliability it must be noted that it was not the MSZMP which initiated the abolition of the obligatory delivery system. A critical analysis of this, together with state guidance of agriculture, unfolded on the basis of the June, October and December 1953 resolutions of the Central Leadership of the MDP [Hungarian Workers' Party]. But these criticisms and the measures taken in the wake of them in 1953-1954 did not question the justice of the collection system. Rather, they were directed at remedying the abuses connected with the collection system and at moderating the insupportably heavy burdens. Following the turn of March 1955, which reflected the renewed strengthening of the sectarian left wing, the collection system was tightened further. A new turn came after the July 1956 resolution of the MDP Central Leadership, when it was increasingly realized that "the collection system needs to be reformed, but that it is not the right time yet to abolish compulsory deliveries, that improvements in the trading system for agricultural products can be realized only by means of gradual changes." (1)

The researchers of this period--economists and historians--analysed from many angles the economic, ideological and political conditions amidst which the party and state leadership had to decide, at the beginning of November 1956, whether to abolish the compulsory delivery system. It was clear that under the given circumstances the party and state leadership had to assume the burden of a political analysis. This question had to be decided from the viewpoint of holding and consolidating power. They had to take into consideration the given situation, namely that the government of Imre Nagy had abolished the collection system at the 30 October 1956 session of the Council of Ministers. The party and government showed a high degree of sensitivity to reality in that they abolished the delivery system with a Presidential Council decree, which was extraordinarily important from the viewpoint of winning over the entire peasantry. The decree was made effective as of 25 October, a time at which the Imre Nagy government had not dealt with this question. This was a decision which was not only a source of political success, it also enriched

the Marxist economic theory and practice of economic guidance of the transitional period. Prior to November 1956--independent of the sector to which they belonged--the agricultural operations produced and managed essentially on the basis of obligatory state plan directives. Eliminating the obligatory delivery system put an end to direct guidance in the two most significant sectors of agriculture--in the producer cooperatives and in the individual farms--and an indirect regulatory system had to be put in its place. It was necessary to develop new price, tax, credit and supports policies. The basic principles of a new product trade system, a production and marketing contract system had to be worked out, taking into consideration the automatisms and economic impulses which would appear as a result of these new economic policy tools, in agriculture as a whole, in the various sectors thereof, in the area of the interconnected branches (industry, trade), and, in a certain sense, throughout the economy. (2) We can justly regard these changes as a first step of great significance which, in later years, had an effect on the perfection of the guidance system for the entire national economy.

Agricultural Policy Theses and Results of Their Realization

The other highly significant agricultural policy step of this period was the adoption of the agricultural policy theses published in July 1957. The agricultural theses, the party resolutions which supplemented them and developed them further, and a few essential state decisions contained the agricultural policy conception of the party and the goals pertaining to the development of agriculture. "The basis for the conception was established by the agricultural theses, which sought to harmonize agricultural policy with the general policy and with economic policy and bring the alliance policy of the party, the chief guiding principles for the development of agricultural production, and the guiding principles for the socialist transformation of agriculture into a uniform system and to take a stand in important ideological questions which constituted the basis for an agricultural policy regarded as valid for a longer time." (3)

When put to practice the concept proved to be correct. Application of the idea not only promoted an increase in agricultural production, but on the basis of this conditions were created amidst which the socialist reorganization of agriculture could be realized within a few years following the counter-revolution. It thus became possible that in the two decades or so following the socialist reorganization, Hungarian agriculture went through a more significant change than in the course of our previous history. The socialist reorganization of agriculture and the development of large scale foodstuffs production which accompanied it started a whole series of changes in various areas of economy and in the area of social conditions as well.

Before collectivization Hungarian agricultural production varied a great deal from year to year and the growth rate was moderate. After the large farms were consolidated and modern large-scale agricultural operations were established, increase in production accelerated, its rate stabilized.

Today our agriculture produces on an area smaller by about 10 percent and with half the work force more than double that of 25 years ago when private farming

was predominant. It covers the foodstuffs needs of our country's population at a good level, a need which has doubled in the past quarter century on a per capita basis. At the same time, the export of agricultural products and foodstuffs has increased manyfold. All this proves that our foodstuffs economy plays a major role in foodstuffs supply, which is of extraordinary importance from the viewpoint of political stability and in ensuring the foreign trade balance which determines Hungarian economic development.

The achievements of Hungarian agriculture pass the test of an international comparison. For a long time between the two world wars and in the 50s and 60s Hungarian agriculture was unable to get ahead of places 14-18 in the ranking of European countries. Not until the 70s and 80s did it reach the fourth place in regard to a number of indicators. In 1983 per capita grain production was 1.4 tons. In Europe, only the index for Denmark was more favorable than this. Among the European countries, Hungary is also among the first in per capita apple production and in the production of pork, poultry and eggs.

Despite the results we have achieved, we cannot nourish illusions in regard to the role played by agriculture in the national economy. It is true that the conditions of our country are relatively favorable for agricultural production. The contribution of agriculture to the national income of the country is 17-18 percent and its share in export is 23-25 percent. It follows from this that agriculture or foodstuffs production cannot challenge the determining role of industry.

It must be remembered also that the increase in the price of basic raw materials and fuels is a lasting trend on the world market and this increases the costs of foodstuffs production. Exporters in a monopoly position dominate the world market for agricultural products--a market struggling with over-supply--and they subordinate foodstuffs trade to their power-strategy interests. They keep high the prices of products imported by us--for example, protein feeds, chemical materials, machines--and force down the price of a number of foodstuffs exported by us. Defending ourselves against or moderating the negative effects deriving from this will require ever greater efforts.

In my judgment a major part in our agricultural policy successes was played by the fact that we recognized in time, or at least without long delays, the extent of our need to adapt to objective Hungarian reality and to changing conditions. The other reason for our success was that the political and economic leadership did not enforce changes for which the conditions were not ripe. I feel that this is a lesson of the agricultural policy of the MSZMP which must be used at present and in the future as well.

From among the large number of positive examples covering almost 30 years I would refer here--without trying to be complete or exhaustive--to the already mentioned abolishing of the collection system and introduction of the purchasing system. The multi-channel product trade system introduced in the 1960s developed this system further. At the same time we rejected the one-sided idea which for a long time was characteristic in judging the division of labor, specialization and cooperation among enterprises. There was a time when in our country, too, there were regulations forbidding even the simplest industrial and commercial activities closely linked to agriculture. The turn

in this regard came at the end of the 1960s. A uniform view developed and healthy tendencies began to unfold at the beginning of the 1970s. From that point on the task of the state farms and of the producer cooperatives was not only the production of agricultural products in the narrower sense, but rather also the development of industrial services and foodstuffs processing linked to this--indeed, pointing way beyond it.

The list of positive examples should also include enterprise independence, the realization of interest and the creation of income for the cooperative peasantry at an adequate level, proportionate to their work. The MSZMP and the Hungarian government followed a policy trying to improve the situation of the peasantry not only in the years after the defeat of the counter-revolution, but later as well. Especially important from this point of view was the policy announced in the 1960s to end the differences between incomes of laborers and peasants and their standards of living.

At the beginning of the 1960s the peasant's real income lagged more than 15 percent behind that of workers and white collar employees. As a result of the measures taken in the 1960s peasants' incomes increased at a swift pace, these differences ended, and the level of their incomes reached that of industrial workers and white collar employees. This is an achievement which very few countries in the world can point to.

In the 1970s a historic change began in the social circumstances of the producer cooperative peasantry, in pension and health services, and in child raising support (the family supplement). A significant role in improving the working and living conditions of agricultural workers and cooperative peasants was played by the fact that there was a radical improvement in education, in cultural activities and in the training of experts. About one seventh of the active labor force working on state farms and producer cooperatives are graduates of secondary schools or higher and one third are skilled workers. In the course of the changing of generations a more cultured, better trained labor force, receptive to innovation, has taken the place of the old. Considering their way of thinking, living conditions and needs they are more and more identical with those working in industry.

A qualitative change in the forces of production is an important factor in the agricultural successes, as a result of this change the industrialization of our agriculture is taking place. The technical base of Hungarian agriculture has been radically transformed, the mechanization of agricultural production has been completed or is at an advanced stage in a number of branches and complex machine systems are being developed. Machines have replaced or are increasingly replacing animal and manual labor. In 1950 machine traction made up only 14.4 percent of all traction; it reached 50.2 percent in 1960. Today, this ratio approaches 100 percent.

Chemicalization is widespread; artificial fertilizers, various pesticides and biological and chemical materials are increasingly used to protect plants and animals and to promote growth. For example, the amount of effective material of artificial fertilizer per hectare of plowland, garden or orchard was 6 kilograms in 1950, at present it is 300 kilograms. (4)

There have also been great results in improving stock. As a result new types are widespread in both crop production and animal husbandry.

The optimal combination of productive factors is an ever more important requirement with the progress of the industrialization of agriculture, and this requires an application of the systems attitude, starting from the production process as a whole when organizing production. The character of technical development must be changed fundamentally as a result of implementing this attitude; integration comes to the fore instead of differentiation. It was generally characteristic of the earlier phase of industrialization that some particular production factors serving to increase yields--mechanization, chemicalization, stock improvement--was one-sidedly emphasized.

In contrast to this, it is characteristic of the systems attitude that all the factors having an effect on production--on increasing yields--must be taken into account. One must create a scientifically based harmony among the technical, biological, chemical and human factors of production. Thus one must apply the most modern production factors in a complex way at every phase of the production process. In Hungary this goal is served primarily by the industry-type production systems.

It must be emphasized that an important source of our agricultural achievements is the diversity and variety which characterize the organizational system for foodstuffs production. The large socialist farms are the basic pillars for the development of our agriculture; the state farms and producer cooperatives manage more than 92 percent of the cultivated area and provide two thirds of the agricultural production. Together with them, however, a significant role is played by the household plots of the cooperative members and by the auxiliary farms of workers and white collar employees, which provide one third of all production of agriculture. As is well known, the producer cooperatives, state farms and consumers' cooperatives integrate the small scale production.

Associations among enterprises and cooperatives have spread quickly in the past decade. At present the majority of the associations operating in the national economy can be found in agriculture. This is not by chance, for it is here that central guidance is least felt, that contractual freedom and enterprising spirit are greatest, etc. The production systems are achieving especially good results.

The realization of economic independence and material incentive by virtue of the development of economic guidance, first of all of the regulator system, is a lasting element of the successful development of agriculture. I have already mentioned those measures taken in the development of the guidance of agriculture in the years following the counter-revolution. A further development of the guidance of agriculture was an organic part of the general reform of economic guidance which began in the mid-1960s. In regard to its economic content, this reform served primarily to lay the material foundations for enterprise independence and expanded reproduction by means of a repeated and significant increase in producers prices, a system of state supports and a credit system serving both development and operations, a financial regulator

system influencing the generation and use of enterprise incomes and the regulation of product trade.

Finally, it is a very important characteristic of agricultural policy that it has tried to integrate agriculture ever more organically into the economy as a whole. This is justified, first of all, by the fact that the branch contacts of foodstuffs production are increasingly manifold and complex. Under such circumstances the importance of realizing the complex attitude at both the macro- and micro-level in economic decision-making and in planning and development work increases extraordinarily. A lack of harmony in macro-level decisions pertaining to enterprises making up a vertical structure causes unavoidable confusion and losses in one or more links of the chain. The situation is the same if the decisions of enterprises with more or less independence are not adequately coordinated. Preventing or minimizing these disturbances and losses makes the systematic development of integration contacts and the coordination of capacities and interest conditions absolutely necessary.

With what has been said I do not mean to say that there has not been resistance to the requirements posed by life or that delays have not slowed our progress. I mention only one example of this. It is well known that, especially in the 1970s, the amalgamation of producer cooperatives and of state farms took on such a magnitude that the highest level party and state authorities had to take action against it. Science took a similar position also, recognizing that quite often the forced combination of farms reduced the efficiency of production, which is contrary to our economic policy goals. All this, however, does not call in question the historically significant achievement of the agricultural policy of the MSZMP that the basic conditions for satisfying the foodstuffs needs of the population from our own production were created in Hungary. We achieved this primarily by a quantitative increase in production, and this had to be preceded by creating the necessary economic conditions. The present problems are caused not by shortages but rather by the increase in production. The problems deriving from this appear especially sharply at a time of strengthening the export orientation of the foodstuffs economy, when the production costs are increasing and marketing conditions on the world market are tightening at the same time. I believe that today it is an entirely just demand that under the new circumstances we should rethink the goal system of our agricultural policy for the longer range. Today this problem is of concern not only to agricultural experts, it elicits lively interest in the broader public opinion of the country as well.

Shift of Emphasis in Agricultural Policy

It is not possible here for me to analyze in a comprehensive way those debates, paths and factors which we must take into consideration in connection with a reformulation of our agricultural policy, so I limit myself to posing only a few of them.

I believe that when developing the agricultural policy to be followed now and in the future we must start from the position that an improvement in quality and efficiency must be put at the center of agricultural policy in place of quantitative growth. Despite the recognized achievements of foodstuffs

production we must also note that we cannot at all brag about the existing ratio between performance and expenditures in a number of areas, and these specific results are far from the possible peak achievement. It is increasingly recognized in professional circles that we could produce substantially more and a substantially better product even with the present expenditures. But according to my experience this recognition is not yet realized to the necessary extent and, primarily, the requirements deriving from this recognition are not being satisfied at every level.

In my judgment one of the greatest reserves for increasing the efficiency of foodstuffs production in our country is a more coordinated development of the production of several vertical structures, improving the organized nature of inter-enterprise contacts, primarily by making vertical integration more profound. The industrialization of Hungarian agriculture has reached a level where the technology of production and the advantages of concentration and specialization can be exploited economically only by an increase in integration. This will help develop and exploit the fixed assets more efficiently, reduce the specific needs for working assets, utilize in practise the achievements of science more extensively and communicate the modern production-organization principles to the masses. This is true of contacts among agricultural operations, between the producers of foodstuffs and the enterprises manufacturing the tools of production for them. But the creation of vertical contacts between the agricultural operations and the processing and trade enterprises--including foreign trade enterprises--is especially important from the viewpoint of improving the efficiency of foodstuffs production.

Making these latter contacts more profound is justified especially by the fact that foodstuffs occupy a significant place in our export, and it is possible to expand export in the sharpening international competition and hold on to markets only with good quality goods. It is obvious that we must adapt to the market needs and make sure that our foodstuffs export is as economical as possible. Since the market needs are changing it is not possible to make decisions which are eternally valid in regard even to the level of processing at which we should export the products. Changing the composition of export and increasing or decreasing the degree of processing should be primarily the task of the foodstuffs industry. And this requires that market information reach the foodstuffs industry enterprises continuously.

Naturally the changing market conditions will affect the agricultural producers too. Because of the nature of production, agriculture can adjust to changes more slowly than the processing industry, but it must follow the lasting trends which can be found on external markets. This information can reach the producers only via the vertical chain. This is why we must regard it as our immediate task to work out a more profound strategy for our foodstuffs foreign trade than we have at present and to develop further the organizational and interest system of agricultural foreign trade.

The other aspect of the problem of contacts appears in the lack of coordination between foodstuffs production and trade on the one hand and the industrial background supplying these areas on the other. Since the role of industry is becoming ever more determining in foodstuffs production it is not

a matter of indifference from the viewpoint of the development of agricultural production, or in a broader sense of foodstuffs production, the degree to which and at what price our industry is capable of satisfying the need for machines and equipment used in foodstuffs production, the need for artificial fertilizers and crop protection materials. One of the biggest problems in this supply area is that the shortage market has not been eliminated even today. Neither domestic production nor import are able to adequately satisfy the need for the machines and equipment used in foodstuffs production and trade. What is involved here is not only that some machine types are unavailable due to the lack of technical solutions, but rather that in many cases there is not a sufficient assortment of the already proven machines to meet the needs. Nor is it rare that the agricultural operations cannot get the smaller capacity power and working machines, although these are needed on the large farms too. Thus, the structure of industry must be modified so that the needs posed by foodstuffs production can be satisfied.

It is a source of serious losses that the coordination of capacities among agricultural production, processing and marketing is not satisfactory. The creation of the material-technical and personnel conditions for purchasing and the construction of refrigeration and storage facilities are not in keeping with the growth of agricultural production. Rather extensive damage arises as a result of shipping and storage losses.

Another problem--also unsolved--appears in the contacts between agriculture and the enterprises that purchase and process agricultural products. I see one of the chief problems in the fact that purchasing and processing are too centralized organizationally. On the other hand, we must count it as a very significant change that as a result of the cited swift growth of agricultural production the shortages which used to be permanent on the market for foodstuffs have been largely eliminated and this market is being increasingly transformed from a buyers' market into a seller's market. We must draw the conclusion from this first of all that the significance of market methods is increasing in the purchasing of agricultural products.

Today, however, the development of a vertical final product interest linking the agricultural, industrial and commercial enterprises participating in foodstuffs production is being realized within a very modest framework. Consequently even today goods reach the consumers through a series of organizations, which often have mutually contradictory interests, while each of those participating in the process regards the maximization of his own profit as most important. These various organizations are a strong brake on the production-orienting effect of the market and as a result the producers have a hard time learning of changes in market demand. This is especially harmful from the viewpoint of export.

As for the coordinated development of the vertical structure, the foodstuffs industry represents the biggest problem here: even today it is the bottleneck for the foodstuffs economy of the country. (5) Although the fixed assets of the foodstuffs industry enterprises have developed relatively quickly in the past decade, their technical level has been hiding a very great spread. The situation of some branches is critical: they work with obsolete equipment and technologies, often under inadequate hygienic conditions. In other cases the

predominance of the large plants is unjustified, because as a result of this the transportation costs increase and the quality of the products deteriorates.

The operational expenditures and specific water and energy use of our foodstuffs industry are greater than developed techniques and technology would demand. It suggests a relatively low level of mechanization that the electric power use in technological processes is less than that of the modern foodstuffs industry enterprises of developed countries. One can find one or two factories which can be called developed in the majority of the branches, but most of them are becoming very obsolete--both technically and in a moral sense as well.

As a result of a badly interpreted thrift with developmental resources one frequently finds that some intermediate or peripheral parts of a modern line are missing. It happens that in the middle of a production line there is a machine unit, either domestic or from import, which is not synchronized with the other sections. In a large number of cases the imported equipment cannot reach even a nominal capacity and frequently it is operated with an inordinately large number of personnel serving it.

A significant number of the foodstuffs industry enterprises are struggling with reality between the production tasks--which are increasing quantitatively and qualitatively--and the restricted developmental possibilities. In addition to the very limited profit possibilities, the technical development of the foodstuffs industry enterprises, or even their survival is hampered by the weaknesses of domestic foodstuffs industry machine manufacture. The situation is similar in the other CEMA countries as well. Thus the technological development of our foodstuffs industry enterprises can be realized only more or less from machine import--most of it in the capitalist trade.

In addition to the lack or unsatisfactory nature of domestic packaging machine manufacture, the development of packaging is influenced by the backwardness of domestic manufacture of modern packaging materials and tools. To a great extent this hurts the external market competitiveness of our products and increases the import need. Because of the quality problems of domestic packaging materials and tools, the output of the high performance and sensitive foreign packaging machines lags significantly behind the nominal value.

Rational assets management in the foodstuffs industry requires, on the one hand, a modernization which involves not the renovation of this or that piece of equipment but rather the reconstruction of entire plants, or a series of such reconstructions according to a planned schedule, and it requires the creation of a national network of processing plants--a proper combination of large, medium and small plants--which will make the complex processing of foodstuffs primary materials possible--in addition to a significant reduction in transportation. Domestic supply would improve as a result, and export would increase as well.

It is one of the basic requirements of our domestic foodstuffs supply that there be, always and everywhere, a supply of the most important foodstuffs in

accordance with demand. But today a good bit more is needed to keep social public morale at a proper level and, in part, the foodstuffs industry enterprises must produce the sources for this. With a few exceptions these enterprises are satisfying the demand with suitable variety in every product group. Despite this, the consumers frequently justly complain about the supply of goods. Very frequently the majority of the deficiencies are rooted not in production but rather in distribution. We must find forms of cooperation between the foodstuffs industry and foodstuffs trade which will lead to an expansion of trade and a better scheduling of supply on the basis of common material interest.

Naturally, extraordinarily great tasks also fall on agriculture in improving the quality of foodstuffs and in increasing the efficiency of production. If we are to preserve the foodstuffs economy as a strategic value then there is need for a change in agriculture too. The structure of agricultural production must be developed in such a way that the increasing output of the branches which can be expanded efficiently will determine development. In agriculture also the basis for increasing efficiency can only be an acceleration of technical development. Agriculture will be able to satisfy the new requirements only if we not only maintain its technical level but also raise it. There was a time when agriculture was regarded as a branch less demanding of research and development. There is need for a fundamental change of attitude in this regard. The use of electronics and biotechnology and utilization of the biomass must be put in the foreground. All this makes it necessary to increase the research and development support for agriculture.

There is a quite general recognition in professional public opinion that the performance of agriculture should be improved quantitatively and qualitatively --and from the viewpoint of efficiency with a substantial increase in productivity. It is a condition for this that we develop an interest system on the farms which will increase the productivity of live work.

The existing cooperative forms must be developed further in order to improve the efficiency of agricultural production. One essential method for this would be to strengthen the ownership links between the cooperatives and their members. One means for this might be to increasingly bring the financial assets of the members into the common development. The practice of the special cooperatives might provide an example for this, but one should also consider solutions not yet tried. To do this one must solve the question of keeping records on individual contributions to increase the common property and the question of shares deriving from this.

The cooperation or integration of the small and large operations is very significant already in the various forms of cooperatives. A further development of this is justified as well.

The special groups can play a very important role in the integration tasks, in laying foundations for the future of the small farms. The tasks for a further development of their operations are also varied--increasing the common funds, dividing up the operational profit, developing joint activity, etc.

The division of labor between large operations and the small farms and the labor organizations within the agricultural operations must be developed further. We could mention numerous examples where the large operation does the machine work on the large fields in grape, fruit and vegetable production while the farm makes a deal with its members or with outsiders for the work requiring manual labor, primarily harvesting. Various forms of this are developing--a cultivation contract, combined or shares accounting, leasing, etc. In general these labor organizations are not tied to a work time and their activity is not measured by work norms, yet despite this they are integrated into the enterprise organization. Varied new forms of these organizations are developing.

Animal husbandry is the critical area of large-scale agriculture today--because of the large assets requirement and the small capacity to produce income. Various combinations of small- and large-scale production should be applied more courageously to the solution of the problems here as well.

To sum up what has been said, we can state that the Hungarian agricultural structure has accumulated significant innovative forces. The economic environment must give the green light for the liberation of these forces. To the extent that the positive processes which have begun continue, any further developments of the organizational system of agriculture can give new impulses to the unfolding of efficiency-oriented agricultural production.

FOOTNOTES

1. Janos Gyenis: "A Few Chief Characteristics of the Agricultural Policy of the Hungarian Socialist Workers' Party in the Period Between 1957 and 1961," in a volume titled "Experiences and Lessons of our Economic Policy, 1957-1960" (Kossuth Book Publishers, Economics and Legal Book Publishers, 1976, p 227).
2. For more information see Janos Gyenis, op cit, pp 229-231.
3. Janos Gyenis, op cit, p 246.
4. Hungarian Statistical Pocketbook, 1970, Statistical Publishing Enterprise, 1970; Agricultural Statistical Pocketbook, 1983, Central Statistics Office, 1984.
5. I have dealt with this question more extensively in my article titled "Several Problems with the Development of Our Foodstuffs Economy," MAGYAR TUDOMANY, No 4, 1982.

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CSO: 8025/1463

HUNGARY

DECLINE IN CORN PRODUCTION POSES POTENTIAL PROBLEMS

Budapest HETI VILAGGAZDASAG in Hungarian 1 Jun 85 pp 53-55

[Article by Jozsef V. Farkas: "Corn Production. Unsuccessful Inducement"]

[Text] Although the corn harvest and the average corn yield are increasing year by year in Hungary, the area under corn is declining nonetheless. The Ministry of Agriculture and Food offered a new incentive this year to increase the area under corn, but to no avail. The farms had "decided" already last year to grow this feed crop on a smaller area than what the central plans called for. The farms' main problem is that it is hardly worth growing corn in Hungary

The area under corn is gradually declining in Hungary. On average for 1971-1975, the farms grew corn on 1,409,000 hectares a year. During the next five years, this average dropped to 1,296,000 hectares, and for the current five-year period we can expect an average of 1,129,000 hectares. The plans called for growing corn on 1,170,000 hectares this year, but it was evident already in April that the farms were not planting an area this large. Accurate figures are not yet available on the total area under corn, but it is only 1.1 million hectares even according to the rather optimistic estimates of the Ministry of Agriculture and Food.

The declining area under corn is hampering both feed supply and export. Each year Hungary feeds 10 million metric tons of feed grain--wheat, corn, oats and barley--to its livestock, and at least 70 percent of this volume should preferably be corn. But this is not feasible at present, because the entire corn crop would have to be used for feeding, leaving nothing for export. It would be difficult to dispense with our corn export, especially now when the world market for wheat is soft, but there is a ready market for corn, particularly in the countries of the European Economic Community.

Of course, increasing the area under corn is not necessarily the only way to improve our external economic equilibrium. Namely, corn can be marketed not only for feed. For example, oil can be extracted from the germ, and the export of even a smaller volume of corn oil could yield a larger profit. The export of seed corn also can earn more profit. In recent years--except last year

because of the drought--Hungary exported 50,000 to 60,000 metric tons of seed corn [a year], including 40,000 metric tons to socialist countries, and--depending on the demand or on the traders' skill--10,000 to 20,000 metric tons to capitalist countries. Since corn is a "cosmopolitan" crop that can be grown in many parts of the world, and because Hungary's climate is favorable for the production of seed corn, our export of seed corn could be expanded. And seed corn fetches eight to ten times more abroad than corn sold as feed grain. To export more seed corn, however, growers would have to aim for better quality rather than higher yields. Traders, too, would have to change their thinking, because the marketing of a wider range of more demanding products requires more detailed work and greater care. Namely, it is easier to sell corn for feed grain in large volume, rather than small lots of the many different products into which corn is processed.

The annual corn yield per hectare in Hungary averaged 4,170 kilograms in 1971-1975, 4,850 kilograms in the next five-year period, and foreseeably will average over 6,200 kilograms in the current five-year period, including this year's crop. Moreover, one year--in 1982--Hungary had the second highest average corn yield per hectare in the world, preceded only by the United States.

In spite of all this, the farms in Hungary would like to be rid of corn. A clear indication of this is, among other things, the fact that wheat is replacing corn on the better soils. On the one hand, this is in conflict with accepted farming practices, because corn has always been a crop for better soils. On the other hand, this is a self-reinforcing process, because on less fertile soil the yield per hectare is lower, and therefore the income and profit per hectare are lower also. As one of the consequences of this, Hungary's farms are utilizing only 60 percent of the biological potential of the corn varieties grown in Hungary. This proportion could be increased substantially with crop structures better suited for the individual regions, by employing more modern soil and crop practices, and by observing technological discipline more closely.

There are clearly discernible reasons for the reluctance to grow corn. One reason pertains to the biological nature of the crop. Wheat is a crop that is harvested in summer; corn, in late autumn when the weather and the harvest results are less certain. Biology has a bearing also on the farms' cash flow. Corn generates income only at the end of the year to cover the farms' expenditures throughout the entire year. If pressed for cash, the farms are able to obtain credit from the bank, but the interest rate on such credit is high. Therefore the farms prefer income sooner, in early summer. And wheat is a crop that gives them such income.

Among grains, moreover, successful corn production requires the most investment. According to the data of MEM STAGEK [Ministry of Agriculture and Food, Center for Statistics and Economic Analyses], generally accepted practice calls for treating cornfields with 380 to 400 kilograms of manufactured fertilizer per hectare, in terms of active ingredient; but wheatfields are treated with about 100 kilograms less. This is understandable, because corn has a higher average yield and therefore it uses up more nutrients from the soil. And then the corn has to be dried because it is harvested late, whereas

drying is not always necessary in the case of wheat. (In recent years, the farms have been spending 250 to 280 forints per ton to dry corn, but only 70 to 90 forints per ton to dry wheat.)

The total production cost of corn is substantially higher than that of wheat. In 1982, which was a good year for both crops, the agricultural cooperatives harvested on average 7.3 metric tons of corn per hectare, at a production cost of 18,457 forints; but the average wheat yield was 4.3 metric tons, and the production cost per hectare averaged 11,674 forints. According to the farms' reports, their production cost of corn last year reached 20,000 forints per hectare; but their production cost of wheat hardly changed, remaining below 13,000 forints.

Even though corn has a higher average yield, the resulting higher income does not compensate for the rising investment cost. In 1980, the farms made a net profit of 914 forints per metric ton on the wheat they sold, but only 256 forints per metric ton in the case of corn, according to MEM STAGEK. This ratio improved somewhat in the following years. In 1983, the net profit per ton was 1012 forints for wheat, and 611 forints for corn. This difference is the main reason behind the farms' unwillingness to grow corn, and the resulting decline of the area under corn.

Of course, profitability can be improved not only by increasing income, but by reducing expenditure as well. According to the farms, however, there is not much hope of reducing expenditure, because the prices of the indispensable implements and materials supplied by industry are rising faster than the procurement prices of farm products. From 1977 to 1983, the production costs of corn rose from 12,000 to 18,000 forints per hectare, while the procurement prices of corn rose by only 19 percent during the same period. On the large-scale farms, 47 percent of the tractors and 33 percent of the combines are worn out and have zero book value, but the farms are still compelled to use them. Understandably, this increases the farms' maintenance costs. It often happens --as was the case last spring--that certain manufactured fertilizers and plant protectants are not available, and only less effective and less reliable substitutes can be obtained. This again makes for higher production costs.

Naturally, growers are striving to control their costs, which is in their primary interest. But they expect an improvement of their profitability also from their financial incentives. The Ministry of Finance, and the Ministry of Agriculture and Food gaged the growers' wish correctly, and in late March the ministries announced a new incentive: The farms that increase their area under corn over the average for the two preceding years, and their corn yield by at least 5 percent, may claim an income-tax credit of 2,000 forints per hectare of increase in the area under corn.

Experts are of the opinion that this purely quantitative incentive proves the ministries' good intentions but hardly does anything more. It does not even provide a real incentive to increase the area under corn: it came late, at a time when the crop structure could no longer be changed. The possible changes that the farms might be forced to make could affect only a small area in April, and thus the income-tax credit's impact on increasing the farms' incomes would be negligible. So negligible that the farms prefer to stick with the crop

structure that they planned originally. The fact that a few days later the Grain Trust raised the procurement price of corn by 5 percent did not make them change their minds. The cause of the farms' indifference remains the same: no inducement can be truly effective when it is already planting time.

What the farms are really expecting is not the incentive offered them last spring, but one that will resolve once and for all the contradiction between growing wheat and growing corn. What they have in mind are procurement prices more in line with the production costs, or other widespread methods such as price subsidies or tax refunds, for example.

The farms must be acquainted in due time, at least by midsummer, with the government decisions that serve to encourage the expansion of production, so that the farms can prepare for spring, and leave room for corn, already during autumn planting. Because this year it has again been demonstrated that a late inducement is ineffective.

Prospects Abroad

Hungary could hardly be called a major corn exporter. At most 100,000 to 200,000 metric tons of Hungarian corn is sold abroad in any single year. But if the harvest at home is poor, we may even have to import corn. This year the Ministry of Agriculture and Food is planning to export 100,000 to 200,000 metric tons of corn for dollars, and 100,000 to 150,000 metric tons for rubles. But this plan can become reality only if this year's harvest results "permit." Namely, the harvested corn usually must meet first of all the requirements of domestic feed production, and the deliveries specified in the contracts concluded with other socialist countries.

The bulk of the Hungarian corn sold abroad goes to socialist countries. Mainly to Czechoslovakia, the GDR and the Soviet Union. But last year we shipped corn also to Poland; and among the capitalist countries, to Switzerland as well. Because of the poor harvest, however, AGRIMPEX--the Hungarian enterprise specializing in grain trade--substituted wheat for the 180,000 metric tons of corn that was to have been shipped to the Soviet Union in 1984. In all, 160,000 metric tons of Hungarian corn was sold abroad last year, about 2 percent of the total harvest. The smaller part of this volume was sold for 7.5 million rubles; the larger part, for 12 million dollars.

In Europe, at least now, corn is a harder commodity than wheat. American wheat is available in United States ports usually for 5 to 10 dollars less per metric ton than corn. In Europe, the exact opposite is true at present: corn costs more than wheat, by about 5 dollars a metric ton. This can be attributed primarily to the fact that the Common Market, too, has begun to export wheat a few years ago, whereas previously it imported wheat. But a price spread between wheat and corn as large as the present one in American ports cannot be expected in Europe even if the Common Market depletes its stocks of wheat.

The average price of corn in Europe is essentially the price that Europe must pay for the corn of the largest exporter, the United States. This year this price is about 130 dollars per metric ton. (Because of the cost of ocean freight, this price is about 10 dollars more than what can be obtained in

American ports. The United States exports about 50 million metric tons of corn a year, which is nearly half of the world's total grain export.) According to AGRIMPEX, Hungarian corn can be sold mostly at the European average price. If there is any Hungarian corn for export this year, we will be able to sell it for 120 to 130 dollars per metric ton. On the Rotterdam exchange, No 3 Yellow grade corn was quoted in late May at prices from 134 to 143 dollars per metric ton; and for August delivery, from 132 to 145.50 dollars per metric ton. The average price per metric ton of corn on the Rotterdam exchange was 157.80 dollars last August, 169.50 dollars in August 1983, and 116 dollars in August 1982. The domestic corngrower's share of this price is 3,560 forints a metric ton, this being the procurement price of corn in Hungary. But by the time this corn gets to AGRIMPEX for export--after repeated drying, handling and transportation--the price of a metric ton of corn is close to 6,000 forints.

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POLAND

PROBLEMS, POSSIBILITIES OF FOOD INDUSTRY ANALYZED

Warsaw GROMADA-ROLNIK POLSKI in Polish 12, 19 May 85

[12 May 85 p 5]

[Article by Zbigniew Lubak: "What Brought About the Ruin?"]

[Text] In every field of human activity there are things that are more or less important, most important, and completely marginal. The scale of importance varies according to the time, the frame of reference, and the technological usefulness of this field to collective and individual existence. In Poland, for example, one of the most important matters is to improve the economy by setting into motion all of the mechanisms which propel that economy. The true expression of economic development should be a sufficiency of goods on the marketplace and greater export potential.

We are now at the stage where we are trying to intensively develop those industries which work, or should work, for the good of agriculture and the food economy, because self-sufficiency in food can only be achieved through greater agricultural production and correct processing of crops. I have long been of the opinion that we can do this if the various tinhorns who call themselves economic advisors do not advocate the country's existence through foreign sales of all mined raw materials and domestically produced computers, automobiles and color televisions. We have already once before had as much food "as the heart desires" in return for the goods mentioned. Today again some industrial bigshots are beginning to mutter about the same thing. If I did not know how stupid this is, I would think it is a provocation--as one of my editorial colleagues likes to say.

The defenders of production in Poland of industrial works and large integrated circuits and further expansion of heavy industry (incredibly materials- and labor-intensive!) should be reminded of the 1970's. At that time the need to "leap over technological eras" was expounded. These "leapers" saw only raw materials, the metallurgy industry and the machinery industry. They spoke of agriculture and the farm-food industry with disgust. They even held light industry in contempt. Because, after all, how does one compare an "Odra" computer (an IBM competitor?) with some kind of backward plow, or furrow-slice, or common grain? Or, let us say, an industry which produces margarine, oil, jam, or flour. Backwardness--nothing more. Why the devil should it be developed? And to ride around in a land of plenty in a "Polonez" [a small Fiat car produced in Poland]--a disgrace? So we are riding--in a totally uncontrolled skid, without brakes.

How awful that this refrain is now coming back. And the ones singing it are often the same people who sang it before. In spite of party decisions, in spite of Sejm and government resolutions, those industries which produce the least for the marketplace or for profitable export, take the most out of our budget.

And we, as a society, are still "on the skids" and it is not the time for dreary jokes. Poverty still has us backed to the wall, and a poverty-stricken nation cannot afford the luxury of stupidity.

That is precisely why one of the most important matters is the implementation of resolutions and decisions which deal with rescuing us from ruin, because that is what, with full responsibility, we must call our farm-food industry. For years it was treated like the fifth wheel on the wagon of our economy, until it has reached the point that we have nowhere to extract oil, grind flour, make flour products, process apples into juice, potatoes into starch, etc. The knowledge that we are wasting most of what agriculture produces should be alarming to the entire nation.

A great deal was said at times about the food industry in Poland. But "verba volant, scripta manet," says the Latin proverb. Only I do not add that writings can lay forever in the drawers of the ministries' offices. Let us hope that now, too, the present resolutions on the development of the farm-food industry are not lying in these drawers. The country needs mills, dairies, fat-processing plants, etc. And of course, it needs the machines for them. That is the goal which we must achieve as quickly as possible.

And this is, after all, the industry which is our true specialty and has been such for scores of years. There are still people thanks to whom our 25-year-old machinery is still operating and thanks to whom our engineering ruin still produces enough to put many new, modern industries to shame.

It is worth recalling that during the period of the worst crisis what was most available on the marketplace (by comparison) was food. When shelves in "commercial" shops were absolutely empty (and even today they are not overbrimming, despite the strange optimism of those who really do not visit them), food products did not entirely disappear from the marketplace.

The food and storage industry utilizes over 75 percent of agriculture's final output. It accounts for 25 percent of the sales of goods and services of all industry and employs approximately 12 percent of its workers. It is not its fault alone that it cannot cope with its tasks. It is slowly reaching the limit of its capabilities. Actually it requires revitalization right now.

Deliveries of food items and condiments to the market constitute 46 percent of total deliveries, and personal expenditures for food make up 63 percent of total expenditures for purchase of material goods and services. Production fixed assets in the food industry constitute 11.3 percent of the production assets of all industry. Net output is over 30 percent of industry's total net output. Investment outlays in recent years fluctuated from 8.7 to 12 percent of investment outlays for all industry and constituted approximately 4 percent of investment outlays in the national economy.

As seen from the above, the farm-food industry exerts a decisive influence on the flow of food to the people, and thus on the country's sociopolitical climate. This, certainly, is important. That is one matter. Others will be discussed at another time.

[19 May 85 p 5]

[Article by Zbigniew Lubak: "Revitalization Plans"]

[Text] So much has been written on the decisive role of the food industry in stimulating the development of agriculture and influencing losses in food production that the subject has become boring. It has also been said in important places that agricultural rawstuffs cannot be properly utilized until and unless the food industry develops faster than agriculture. Furthermore, the experience of wealthy countries teaches that a farm-food industry should have production reserves in the event of unusually good crops.

And how is it here? We produce food items at the expense of overutilization of production capacity in our plants. Worktimes are extended, renovation and repair periods are stretched out, technological processes are shortened, and the rotation speed of machinery is increased to the danger point. This means increased losses in food, deterioration of food quality, and accelerated utilization of already-overworn machinery. Utilization of production capacity in some subsectors already reaches 130 percent. And despite that, only 75 percent of the market's requirements for potato products have been met, apples have gone for spirits instead of for sauce, etc., etc.

The farm-food industry's fixed assets are technically very worn out. New plants make up a very small percentage. Machinery and equipment in the meat subsector is 66 percent depreciated; in the fat-processing industry, 65 percent; and in the sugar industry, depreciation has reached 58 percent. Fixed assets in the farm-food industry continue to increase more slowly than depreciation. Investment continues to be low, and the increase in production capacity does not allow for efficient utilization of farm raw materials. Under these circumstances it is hard to expect any improvement in the flow of food to the marketplace. Yet even this cursory illustrates the extent of the problem and the need to take immediate action.

The Deputy Minister of Agriculture and Food economy, Edward Brzostowski, in discussing the program for the development of engineering for agriculture (on the scale of the entire economy) at a reports conference of the PZPR provincial committee in Krosno, underscored with unusual emphasis the fact that this program must be executed if we want any program for the country's future development to be executed.

The same can be said about the "Program for the Modernization and Expansion of the Farm-Food Industry up to 1990." If it is not executed to the letter we can write off as a loss our efforts in all other areas of the food economy, and not just the food economy alone.

In view of the food industry's present state, the program provides that approximately 500 billion zlotys (in 1983 prices) will have to be expended for investment during 1986-1990. Three hundred and forty billion zlotys have been provided for enterprises supervised by the Ministry of Agriculture and Food Economy. Investment outlays for the food industry should constitute 7 to 8 percent of outlays in the national economy during 1986-1990. (Up to 1984 they constituted 4 percent or less.) And to think that there are those who believe that this 7 percent for the food industry is pure investment profligacy... But if it were for another "Katowice" steel mill, then that would be something else. We can only envy their good frame of mind. But only their frame of mind.

The program for the modernization and development of the farm-food industry was made necessary by sad economic realities and that is why a ranking of needs of specific subsectors is envisaged. Eight subsectors have been found to be especially in need of investment and technical-equipment assistance:

- the dairy industry, in view of the necessity of maintaining in the diet enough animal protein to make up for the drop in meat consumption;
- milling and baking, which today are in a state of collapse, threatening an absence of flour products on the marketplace;
- the fat-processing industry, which should, by 1990, achieve a capacity for processing 1 million tons of rape into oil, and which should increase the production and assortment of margarines;
- the potato industry, so that it can finally someday process potatoes and that it will not be necessary to import potato flour;
- the sugar industry, who must shorten its processing time-span, in order to reduce sugar losses and make it possible to allocate part of the acreage with the best soil to crops other than sugar beets;
- the tobacco industry, which requires renovation and expansion in view of the high degree of amortization of machinery and shortages in production capacity;
- the refrigeration industry, which should perform the function of a seasonal regulator of demand and supply of perishable items;
- the fruit-and-vegetable industry, where further expansion of production capacity is essential in order to make use of peak supplies of fruits and vegetables, particularly apples, and to increase the quantities and assortments of nourishments for children.

Priority is to be given to the development of the above-listed eight subsectors and the investments are to be conducted with the special assistance of the state (10 such investments are anticipated). In the remaining subsectors, particularly those in which some kind of development took place during the 1970's, the program does not provide for expansion of production capacity up to 1990.

Only renovation and modernization investments are to be made. This involves the following subsectors: meat, poultry, food concentrates, animal feed, sugar, spirits and beer, together with production of nonalcoholic beverages. The fact that there are no plans to invest in these subsectors does not mean that conditions in them are much better than in the eight subsectors listed. There simply is not enough money and materials for them, therefore repairs alone will be made as long as it is possible to do so.

What surprises me in this priority list is the placement of the tobacco industry ahead of refrigeration and the omission entirely of such an area as fish processing.

It should be added at this point that these billions allocated for the farm-food industry will scarcely allow for an attainment in 1990 of amounts of basic food items at the 1980 level.

Thus revitalization perhaps will keep the patient alive, but it will be difficult for him to leave his bed.

9295

CSO: 2600/808

POLAND

AGRICULTURAL PRODUCTION COSTS, FOOD PRICES DISCUSSED

Warsaw RZECZPOSPOLITA in Polish 10 May 85 p 3

[Interview with Dr Wieslaw Mlynarczyk, undersecretary at the Ministry of Agriculture and Food Economy, by Ludwik Staszynski]

[Text] [Question] Agricultural production costs are rising. This is due to price increases on a number of means of production, taxes and other payments. Will the farmers be compensated for the rising production costs? With this question, the RZECZPOSPOLITA reporter turned to Dr Wieslaw Mlynarski, undersecretary at the Ministry of Agriculture and Food Economy.

[Answer] It should be expected that this year again, cost increases will be compensated and will be reflected in procurement prices of agricultural products. However, it is difficult to talk about the scale of eventual price changes right now because the pertinent computations are in progress. It is better for the farmers if the assessment of production cost increases are complete and thorough. For the public, it is important that eventual price decisions be prudent and not inhibit the positive trend of the development of agricultural production. If we were to try to maintain food prices at any cost regardless of the level of production, we would be making a mistake because, after all, it is in the interest of every person that there be increasingly more food on the table.

[Question] Undoubtedly, every citizen would like to see an abundance of food on the market. Sometimes, however, its prices are in conflict with the financial possibilities of consumers and with the level of their wages or income. How can this conflict be resolved?

[Answer] Not everyone realizes that he too can contribute to lower food prices. The employees of nearly all branches of the national economy can indirectly influence food prices. If the production costs of coal, electric energy, chemical fertilizers, agricultural machinery, plant protection agents or for example, detergents for washing utensils used in milking cows were lower, then food prices would not have to rise. Unfortunately, we are dealing with the opposite process where production costs in industries which work for the agricultural sector are rising. This increase in costs and prices is transferred to production costs in agriculture, thus to procurement and food prices.

No one in any sector of the economy wants to work without just wages for work performed. Let us, therefore, not ask this of farmers. The procurement price of agricultural products is equal to the level of wages in other sectors of the national economy. The price of agricultural products together with production volume shapes the personal income of the farmer. This must be a profitable price which the state assures in accordance with PZPR and ZSL agricultural policy. This policy is effective.

[Question] Agriculture must also pay attention to the level of its costs and to improving work productivity and efficiency in making use of capital outlays because, in the end, we will come to the point where agriculture will encounter a demand barrier if price on the market were to be excessively high.

[Answer] For years agriculture has been following economic principles which are currently dictated in our economy by the reform and for this reason it is concerned from the very nature of things as it were, with minimizing its costs and limiting outlays per unit of production.

Under average agrometeorological conditions, recent years have brought very interesting results in the area of agriculture. We have not as yet achieved the maximum volume level of final and commodity production as a result of the lower production of meat. At the same time, we already have a decidedly higher level of total products in agriculture.

[Question] How did this come about?

[Answer] As a result of decreasing unit consumption of the means of production. Agricultural net production in 1984 (as compared with 1983) rose by 7.6 percent whereas in the remaining sectors of the national economy it rose by 5.6 percent. With this increase, agricultural net production was 9.8 percent higher in 1984 than the previous maximum level in 1978. The highest value of agricultural net production per worker was achieved. In other words, the so-called social work-productivity reached a level in agriculture higher than ever before.

The material-intensiveness of agricultural production decreased markedly. In 1980, agriculture used 480 zloty's worth of the means of production for every 1,000 zlotys worth of final products (which represents production presented for consumer use) whereas in 1984, only 347 zlotys (counting in terms of fixed prices) of the means of production were used by agriculture. In other words, with smaller outlays agriculture has gained greater results, although not in every area because meat production is lower.

[Question] Unfortunately, this is a very important area because many a citizen looks at agricultural results through the prism of meat which continues to be rationed.

[Answer] We are already seeing a reversal of the trend in this area. In 1984, the increase in procurement of butcher livestock was very meager--only 0.1 percent as a result of the disastrously low level in the number of hogs in 1983. However, at the end of 1984 the number of hogs was already 8 percent

higher. Owing to this, the procurement of pork during the first quarter was already over 11 percent higher. In March of this year, this increase surpassed 20 percent.

[Question] Does this mean that farmers are interested in increasing production?

[Answer] Yes! In agriculture, it is possible to observe an obvious willingness to augment the dimensions of production and of work productivity. However, it is necessary to realize that today this depends increasingly on technical outfitting. Unfortunately, it is weaker by comparison than industry. It is a well-known fact, for example, that in order to raise animals and produce meat, it is necessary to have, among other things, buildings, machinery, etc. Their value in our agriculture does not come to much--over 1 million zlotys per worker, whereas in industry this amount is 2 million zlotys while, for example, in the area of transportation and communication it is over 2.5 million zlotys. By way of comparison, in countries with intensive agricultural production, technical outfitting on the job is as a rule more or less one-fourth higher than in industry.

Therefore, the workforces of industrial establishments can also have an effect on the growth of agricultural production by means of the technical products which they manufacture but which are sold to farmers at reasonable prices, in order not to transfer to agricultural production overly high costs and in effect not to instigate a rise in food prices on the market.

[Question] Is the rise in prices of the means of production in agriculture really that high?

[Answer] The rate of price changes for the means of production in agriculture has been significantly halted, which constitutes an important achievement because it has also slowed the rise of agricultural costs and food prices. In 1982, the rate of increase for production prices for working assets for agriculture surpassed 100 percent; in 1983--over 11 percent and in 1984--9.3 percent. Unfortunately, price rises on capital investment goods for agriculture are decreasing more slowly. Thus, for example, the prices on capital investment goods for agriculture including tractors rose more than 2.5 times in 1982; in 1983, these prices rose 21 percent and 1984--14.7 percent (without taking into account the price increase from 1 January of this year).

The slowing down of the growth of consumer good prices, including goods of industrial origin, which also in the case of agriculture must be compensated for in the farmer's personal income just as those who work outside agriculture find compensation in the form of wage increases, could also have an important significance. In addition to this, farmers are waiting for an improvement in the supply of consumer goods of industrial origin. An abundance on the rural market not only of the means of production but also of pots, bicycles, clothing, refrigerators, etc. is for the farmer nothing more than an incentive to increased productivity.

[Question] Are the opinions concerning the alleged general affluence of farmers in keeping with the truth?

[Answer] These are simplified opinions, formulated on the basis of superficial, individual assessments which on a general scale depart from reality. For example, the current rather high prices for tractors more and more frequently compel farmers to purchase them on credit.

Of course, credit increases the income of farmers in a given year but it should be kept in mind that the credit balance in the amount of 28.3 million zlotys achieved in 1984 has to be paid off by the farmers in the coming years. The sharp increase of demand for credit illustrates well the current economic situation in rural areas. If it were not for credit, there would be quite a number of cases where farm growth would be at a standstill.

9853

CSO: 2600/798

POLAND

CHANGES IN PRIVATE FARM STRUCTURE NOTED

Warsaw RZECZPOSPOLITA in Polish 23 Apr 85 p 3

[Text] In the course of 3 years (1981-1984), the number of privately owned farms has decreased in Poland by 22,200; i.e., by 8 percent which comes to 2,843,500 such farms. During this time, their acreage has increased by 361,500 hectares; i.e., by 2.3 percent which amounts to 15,891,300 hectares.

Changes are occurring in the structure of private farms. Admittedly, the surface area of the average farm is increasing very slowly. However, the agrarian structure is undergoing changes. Namely, the number of the largest farms, which are created at the expense of farms in the 2 to 5 hectare and 5 to 7 hectare group, is increasing. The number of the smallest farms; i.e., in the 0.5 to 2 hectare group remains basically unchanged.

The following is the current structure of private farms: 856,100 farms (30.1 percent) in the 0.5 to 2 hectare group; 804,900 (28.3 percent) in the 2 to 5 hectare group; 354,000 (12.5 percent) in the 5 to 7 hectare group; 365,200 (12.8 percent) in the 7 to 10 hectare group; 291,800 (10.3 percent) in the 10 to 15 hectare group and 171,500 farms (6.0 percent) in the over 15 hectare group.

However, small farms of which there is the greatest number, have altogether the least land. And conversely, farms in the 0.5 to 2 hectare range occupy 6 percent of the sum total of arable land belonging to the private sector; 2 to 5 hectare farms occupy 16.9 percent; 5 to 7 hectare farms--13.2 percent; 7 to 10 hectare farms--19.3 percent; 10 to 15 hectare farms--22.2 percent and farms which have more than 15 hectares occupy 22.4 percent of arable land.

The situation with regard to the number of farm animals is similar. Farms with a surface area of 2 to 5 hectares possess 5 percent of the sum total of farm animals in the private sector; 2 to 5 hectare farms have 17.5 percent of them; 5 to 10 hectare farms have 34 percent and farms over 10 hectares have 43.4 percent farm animals.

The results of the farm census reveal a progressive polarization of farms; i.e., an increase in the number of the largest and smallest farms. From an economic as well as social point of view, this is a positive process.

9853
CSO: 2600/790

POLAND

NEW MATERIALS MANAGEMENT AGENCY FORMED

Warsaw RZECZPOSPOLITA in Polish 22 May 85 pp 1,2

[PAP interview with deputy minister of materials management, Michal Hebda, by Slawomir Popowski, "How Do We Manage Our National Assets"; date and place not specified]

[Text] Not a single meeting or conference passes without enterprises complaining about the ongoing decapitalization of their durable assets. How do we in fact manage our national assets? Those are the problems discussed during an interview with a PAP reporter by the deputy minister of materials management, Michal Hebda, in charge of a recently established sector which supervises all the questions of operation.

In the 1970's, due, among other reasons, to the oil and raw materials crisis, the highly developed countries essentially modified their economic policy, opting for the so-called operation strategy of development. In face of the prospective depletion of their natural resources, they adopted the principle according to which whatever could be produced, should serve as long as possible, be unfailing, and remain low energy-intensive in operation.

In Poland, too, efforts were made to draw conclusions from the increasing materials problems. In 1974 a report on the state of operation of durable assets was prepared; it indicated that the continuation of an economic policy focused solely on production increases--whatever the costs--must affect the level of operation of those assets. And indeed, that has actually happened. Honors and bonuses were awarded for production increases, but the questions of whether such increases were in fact needed, and of how the assets produced were actually to be used, were treated as if of lesser importance. Only a few were concerned with the need to provide, for example, proper servicing, maintenance, and a supply of spare parts. Consequently even at the time the level of exploitation of durable assets remained very low. In many sectors of the economy it did not exceed 50 percent, and in industry and transportation as a whole it amounted to just 60 percent.

In a predominant producer's market, attempts to improve the operational quality of products were also ignored. Consequently the average period of exploitation of specific machines--between one breakdown and the next one--was

in Poland 2 to 10 times shorter than in case of similar products manufactured in highly developed countries.

At present the degree of economic decapitalization of durable assets is estimated at about 60 percent, while the degree of physical deterioration in specific sectors of the economy is often simply unknown. I do not actually know what is the technical state of the national assets at our disposal.

The establishment of a special sector for the operation of durable assets within the Ministry of Materials Management indicates that the central state authorities pay due attention to this area of the economy. We could not postpone it any more. The ongoing destruction of our durable assets, with estimated value of 38,000 billion zlotys, might have easily given raise to difficulties in fulfilling the most essential economic undertakings.

We would like, above all, to establish the kind of systemic conditions which would force each and every producer of final products--whether cars, TV sets, or powerful machine tools--to provide the necessary safeguards for their operation, both organizational and material safeguards till their final scrapping. If the producer has to bear the economic consequences of the products he turns out, he will think twice before turning out trash, and thus incurring subsequent troubles. The already prepared draft resolutions of the Council of Ministers, concerning improved exploitation of durable assets, as well as the draft law on managing means of production, clearly point in this direction.

We attach major importance to improved knowledge of the operation systems. A central research and development program for managing durable assets throughout the national economy has already been prepared. Also we have in mind a sui generis exploitation education of the population. That is why, among other moves, we intend to appoint in each economic area several dozens of experts--the creme de la creme--who, while retaining their work posts, would at the same time assist us in solving the general operational problems within their areas.

The organizational structure of the detached sector within the Ministry of Materials Management has also been adjusted to those tasks. The sector includes departments of expert appraisal and inspection; of scientific research and implementation; and of cadres training. Moreover, in the near future an interministerial Scientific Center for Exploitation of Durable Assets will be established, based on the Center for Exploitation of Vehicles and Machines, created 10 years ago. Our intention, obviously, is not to multiply new administrative posts, but to shape conditions propitious for a matter-of-fact dealing with the problems of operating our durable assets.

12485

CSO: 2600/788

10 July 1985

POLAND

TRAINING PERSONNEL TO RUN FIRMS IN RECEIVERSHIP

Warsaw RZECZPOSPOLITA in Polish 21 May 85 p 2

[PAP article: "Enterprise Insolvency Can Be Prevented: Training Personnel for Receivership Firm Management"]

[Text] An entirely new phenomenon in our economic policy is the 1 October 1983 law on improved management of state-owned enterprises, as well as their insolvency. Until now its provisions--except for 3 cases--have not been widely used, since it has been assumed that bankruptcy is the final and drastic step in problem solution, and should be actually preceded by attempts to improve the enterprise management, including also the introduction of receivership.

Since the present economic situation indicates potential large-scale increase in the number of enterprises to be put under receivership according to the above-mentioned law, a need has arisen to train people capable of assuming leading posts in such receivership management. To face this need, the Institute for Management Organization and Personnel Training, acting on behalf of the government's plenipotentiary for the economic reform, has prepared a course for 26 people appointed by ministers and provincial governors.

During the 3-week course the students will, among other things, add to their knowledge of the bankruptcy law implementation, and learn how to prepare reports on the state of an enterprise and how to use methods and techniques of solving problems in enterprises threatened with insolvency. To pass the course, they have to complete two terms, and to prepare a scenario for 6-month operation of an enterprise under receivership. The organizers have also provided for meetings and discussions with receivership managers of enterprises which had undergone a period of economic cure.

It is estimated that before the end of this year some 100 people will pass similar courses.

12485

CSO: 2600/788

ROMANIA

MEASURES TO IMPROVE ECONOMIC-FINANCIAL ACTIVITY IN ENTERPRISES

Bucharest REVISTA ECONOMICA in Romanian No 17, 26 Apr 85 pp 19-20

[Article by Dr Radu Ciurileanu]

[Text] The Session of the Political Executive Committee of the RCP Central Committee of 12 April 1985 examined and approved the Report on Analytical Review of Results Throughout the National Economy and on Formation and Use of Financial Resources in 1984. It was noted on this occasion that the final balances bear out the good results obtained in 1984 in plan fulfillment and in steady development of industry, agriculture and all economic and social activities. A few figures are illustrative of this: The national wealth was up 7.4 percent from 1983, the social product was up 6.6 percent, and the national income was up 7.7 percent. It was also indicated that the centralized financial plan, providing for a sound circulation of cash, as well as financial, budgetary, monetary and foreign-exchange balances for the whole national economy were implemented in accordance with the fulfillment of the economic indicators. The progress made is a new and striking confirmation of the correct and realistic qualities of the party policy of developing the productive forces on the basis of the latest advances of modern science and technology as a critical factor for raising the people's living standard and bringing the nation up to new peaks of progress and civilization.

In consideration of the conclusions drawn from the analytical review, the Political Executive Committee of the RCP Central Committee adopted a program to improve economic-financial activity in all units in 1985, pointing out that the 1984 results were still not up to the existing potential and conditions and could have been better if a high standard and sense of responsibility for regular fulfillment of the assigned tasks had been displayed in all activities. The series of measures in this program assigns specific tasks and responsibilities to the ministries, centrals, enterprises and financial and banking organs for consistent application of the new economic-financial mechanism in order to completely implement the 1985 plan with greater efficiency and profitability, elimination of the losses in the activity of some productive units, and greater profitability of the output, not by raising prices but by reducing the material outlays, improving labor productivity and the index of exploitation of raw materials and materials, and good management of the material and financial resources.

In the light of the approved decisions the financial and banking organs and especially the economic ministries must take firm measures to strictly apply the principles of self-management, self-financing and economic self-administration in enterprises so that every unit will make its output profitable and make profits.

We shall discuss below the main provisions of the program, pointing out the priority tasks of all units for more efficient performance of this year's economic-financial activity.

Accordingly, as regards production operations, the approved measures call for regular fulfillment of the planned physical production for the domestic beneficiaries and for export in the approved assortments and quality, and for that of the commodity output sold and paid for, with strict conformity to the approved level of outlays and implementation of the plan for cash accumulations and other resources specified in the budgets of incomes and outlays. To this end, every enterprise must concentrate its efforts primarily upon daily implementation of the physical production assigned to factories, sections, workshops, worksites, working units and work places; consistent fulfillment of the tasks in the special programs for products, groups of products and activities; consistent application of the programs for integration, specialization and cooperation in production and prompt solution of all problems; accelerated rates of renovation of products and technologies, and further technical and qualitative enhancement of all production, with better use of the energy and material resources and in conformity with each enterprise's own programs for products and groups of products instituted for that purpose; and steady growth of production and services in small-scale industry through productive use of local resources and recoverable materials, which are to be processed in the people's councils' units and in the artisan cooperatives, the cooperatives for production, purchases and sales of commodities and the agricultural cooperatives.

Accordingly it is a highly responsible task of the ministries, the other central organs and the local ones, the economic centrals and the enterprises to always make certain, with the help of the financial-banking organs, that only the products with assured domestic or export sales and legally set prices are introduced into manufacture, that the stockpiles of surplus materials in the economy are processed and reassigned promptly, and that the consumption norms are observed consistently, reviewed, and continually improved.

In order to expedite delivery of and collection for the manufactured commodity output, it is important to make the most effective use of the park of freight cars, trucks, trailers, ships, aircraft and other transport means, to lower shipping outlays considerably, and to save motor fuels and energy by further expansion of river shipping, especially via the Danube-Black Sea Canal, and by shifting an increasing volume of traffic away from rail and highway transportation. Moreover the economic units must keep emphasizing use of the domestic fleet to full capacity in foreign trade operations and avoidance of trips without cargoes.

In all enterprises complete implementation of the provisions of the program for more pronounced growth of labor productivity in 1985 is a major objective whose exemplary fulfillment calls for much greater efforts to improve the organization

of production and labor in the whole unit as well as in sections and workshops; to determine the physical labor productivity and manpower inputs for every product and operation; to keep reviewing and improving the labor norms and standards; to improve technical aid on all shifts, with close correlation of the technical level of the inventory with the efficiency index attained; to correlate administrative and productive work as closely as possible and reassign surplus personnel to other activities; to strengthen order and discipline on every job and to further the sense of responsibility of all personnel and their participation in the sound and efficient management of the enterprises' material and financial resources.

In the investment field, the program stresses the vital task of the ministries, the other central organs and the people's councils holding investments or construction-installation subcontracts to make more responsible and effective efforts to concentrate the available material and financial resources and manpower upon the earliest activation of the investment capacities; to expedite construction of important production capacities with activation deadlines in 1985; to industrialize construction on a wider scale; to expand mechanization of labor-intensive operations; to keep improving construction-installation operations in all economic sectors; to arrange the physical stages needed to permit installation of all the manufacturing equipment purchased and on hand at worksites as of 31 December 1984; to reduce the consumption of energy-intensive construction materials considerably; and to expand the use of standardized materials and substitutes.

Of course the responsibilities for the investment process do not cease with activation of the capacities. After that the ministries holding investments, the centrals and the design institutes will have to lend all necessary aid to the beneficiary units during the period of production tests in order to expedite the solution of all problems that arise.

In order to make activity in the field of foreign trade and international economic cooperation more effective, the competent ministry, the other ministries, the central and local organs, the units engaged in foreign trade, and the financial-banking organs as well also have important tasks to reinforce the aid to the producer units with export tasks in implementing the program instituted in this field. It is primarily a matter of more intensive prospecting of the foreign market, diversification of marketing methods, and prompt adjustment of production to the foreign partners' demands, in order to cover the whole export output for 1985 with firm contracts and orders. All elements involved must concentrate their efforts upon prompt, priority production of the export output in accordance with the foreign beneficiaries' contracts and orders, making more intensive use of the raw materials and improving the quality and technical performances of the products in keeping with the best offerings on the foreign market and the foreign partners' demands. Obtaining higher foreign prices than those planned for 1984, which will increase the collections of foreign exchange, the net contribution of it, etc., must also be a major objective.

It should be pointed out here that reducing imports, keeping them within the ceilings set according to the provisions of this year's plan, and procuring financial-foreign exchange resources from the sale of exports are still regular tasks. The ministries, the other central organs and the local ones, jointly

with the foreign trade enterprises, are expected to redouble their efforts to procure the planned raw material resources and more imports through deliveries of goods by efficient reciprocal trade arrangements.

By the same token it is highly important for all the elements involved to keep increasing their contributions to complete implementation of the programs for economic and technical cooperation specified in the plan, with a priority on punctual deliveries, in the specified quality, of the machinery and equipment for building economic capacities abroad.

The prescribed measures in the field of finance and economic effectiveness are intended to intensify all enterprises' efforts to fulfill the economic and financial indicators completely and to bring about good management of the material and financial resources by consistent efforts to carry out the provisions of the special programs drafted by every unit to keep reducing production costs and especially the material outlays through maximum conservation of energy and fuels and improvement of the consumption norms for raw materials; by expanding the program to recover, recondition and reuse raw materials and materials; by lowering the inputs of live labor; by minimizing the indirect and administrative-managerial outlays; and by increasing production and profits per 1,000 lei of fixed assets so that no activity, service or product will show a loss.

To this end the enterprise collective management organs must periodically analyze the execution of the budget of incomes and outlays with higher standards from now on, taking firm measures to prevent losses, and where losses or overdue payments or credits are recorded they must take urgent action, jointly with the competent central and ministry and the financial-banking organs as well, to promptly apply all necessary measures to restore the ability to pay, recover the arrears, and improve the economic-financial situation in the respective units.

Among the priorities in this field, it is particularly important to intensively mobilize the important available productive potential for better economic-financial results that will provide for every economic unit's exemplary fulfillment of its budgetary obligations (payments out of profits, the levy for society, and the tax on circulation of goods as well as the other payments provided by law) as well as its formation and use according to law of its internal funds for economic development and incentives to working personnel and its other funds as well. It is the task of the Ministry of Finance, the banks, the economic ministries, the other central organs and the local ones to check and analyze monthly the collection of the incomes and the expenditure of the outlays specified in the state budget and the other financial plans, and to take consistent action in aid of more efficient use of funds of all categories and elimination of any useless or uneconomic outlays. For efficient use of the funds available to the units, every enterprise must particularly emphasize accelerated rotation of circulating capital, strict adherence to the approved norms for stockpiles and circulating capital, elimination and prevention of immobilizations of funds in stockpiles of material values especially, expedited clearing and regular maintenance of the balance of collections and payments, and more efficient use of bank loans by centrals and enterprises. In order to obtain better results this year in the effort toward good management of liquid assets by pronounced reduction of production costs, the industrial centrals and enterprises must take firmer action with the aid of the financial-banking organs to strictly limit consumption and

stockpiles of raw materials, materials, fuels and energy to the norms and standards, to improve the coefficients of use of material resources, fuels and energy, to expand the use of substitute materials in production, to make intensive use of the production capacities, and to carry out the provisions of the approved special programs in exemplary fashion.

In support of those tasks the Ministry of Finance, the banks, and the entire financial-accounting staff in the economy must exercise a close and regular control, and especially preventive control, in all socioeconomic activities on behalf of sound management of the material and financial resources, strengthened order and discipline, and protection of socialist property belonging to the entire people. It is a vital task of the financial-banking organs and those of internal financial control in the economy to take regular action in enterprises, economic centrals and ministries to strictly enforce the laws in effect, to secure the integrity of the property entrusted for administration, to prevent instances of mismanagement and impairment of public property, and to hold those responsible to disciplinary, material or criminal liability. Moreover the section heads of the financial plan in ministries, the other central organs and the local ones as well as the chief accountants in the economic centrals and enterprises must take increasingly firm measures to apply the economic-financial mechanism consistently and to establish strict order and discipline in the use of material and financial resources at all places of work. They must firmly oppose any illegal or ineffective outlays, see that the accounting is correct and up to date, organize and exercise preventive financial control according to the legal provisions, and submit the analyses of the results of the units' activity to the collective management organs regularly.

Now it is essential to effect an extensive mobilization of the important productive potential available in all units in the economy to carry out all the approved measures in practice and to implement the plan provisions for 1985 more efficiently and in exemplary fashion, providing the necessary conditions for a successful start in attaining the goals set by the 13th Party Congress for the 1986-1990 period and beyond.

5186

OSO: 2700/155

ROMANIA

EXPANSION OF FOREIGN TRADE ACTIVITY REVIEWED

Bucharest REVISTA ROMANA DE STUDII INTERNATIONALE in Romanian Mar-Apr 85
pp 122-132

/Article by Ion Avram: "Expansion of International Economic Relations As a Consistent Aim of the Strategy for Romania's Socioeconomic Development"/

/Text/ A major event in the life of Romanian society and one with widespread reverberations abroad, the 13th RCP Congress in November 1984 reviewed the results of the people's productive work under the party's guidance and set the guidelines for the nation's socioeconomic development in 1986-1990 and the long-range objectives up to the year 2000.

In accord with the domestic policy of building the fully developed socialist society and preparing for the gradual transition to communism, Romania's foreign activity, especially since the Ninth RCP Congress, bears the stamp of the bold thought and firm action of Party General Secretary Nicolae Ceausescu, president of Romania, and it has been distinguished by a broad international perspective reflected in the intensive development of relations with all states of the world regardless of their social systems.

In his Report to the 13th Party Congress Nicolae Ceausescu analyzed Romania's socioeconomic progress in the context of the world economy and pointed out once again the critical role of the internal effort in maximum exploitation of Romanian resources as well as the necessity of further expansion of economic collaboration with all states and active, effective participation in the international division of labor. As the party secretary general pointed out, "Intensive socioeconomic development with technical and qualitative improvement of the national economy will enable Romania to participate even more actively in the international division of labor, in the worldwide economic exchanges, and in co-operation in production, science and technology." (1)

In addition to the political considerations of interrelation and interaction of the internal and external factors, including provision for the peace and quiet to carry out the program for national progress, international economic relations as a vital part of that program are based upon the growing interdependences of the states' national economies due to contemporary scientific and technical

developments and upon the necessity of participating in the world's economic exchanges, which spur mobilization of the national effort. In Romania's view and in that of its president, construction of an advanced society such as the socialist and communist one is to be, requires active participation in the world division of labor and promotion of a broad exchange of material and cultural values with other peoples on the immutable principles of national sovereignty and independence, equality of rights, noninterference in internal affairs, mutual benefit, and abstention from the use or threat of force.

Nicolae Ceausescu's dynamic and tireless efforts to expand Romania's foreign political and economic relations, to further develop and modernize all sectors of the national economy, and to secure the necessary balance of the national economic system, his productive conversations in the course of high-level political visits and contacts with chiefs of states and governments in over 100 countries on all continents, and the many treaties, accords and other economic agreements concluded on those occasions have made it possible to expand and consolidate Romania's international economic and technical-scientific exchanges.

I. Romania's growing economic strength and diversified production, which provide the material resources for expanding its foreign trade and international economic collaboration, are indicated by the fact that its 1984 industrial output was over 100 times greater than in 1945 and its agricultural output over 7 times greater. Some industrial sectors increased even more: chemistry by more than 1,000 times, the machine building industry by 400 times, and the metallurgical industry by more than 100 times. Romania is in eighth place in the world in per capita metal production. Industry's contribution to the national income is over 60 percent. The fact that new and modern sectors of the machine building industry have been created, especially in electronics, and that Romanian industry is one of the most modern ones technically, having been created largely in the last 10-15 years and being based on the most advanced technology, is highly important and significant for Romania's economic development in the last 40 years. Romanian industry is now supplying about 87 percent of the machinery and equipment needed to implement the investment programs, and it plays a vital part in modernizing the technical-material base of agriculture. As Nicolae Ceausescu pointed out, "There is practically no activity that Romanian industry cannot promise some equipment up to world technical standards." (2)

The great progress that has been made in industrial and agricultural development and in other fields as well heavily depends upon the active contribution of Romanian science. In 1973-1983 over 7,700 new and perfected technologies were applied in production, with technical and economic parameters comparable to those of the advanced countries. (3) In this five-year plan alone scientific research has developed over 5,000 new technological processes for various activities and has contributed to better use of raw materials, reduction of inputs, technical and qualitative improvement of products, and the greater economic effectiveness of all activity. (4)

Romania's great economic and technical-scientific potential, diversified production and policy of extensive economic collaboration and cooperation with all countries on the new international principles considerably increased the number of states with which it is maintaining those relations. While there were only 29 of them in 1950 and 98 in 1965, there were 150 in 1984. The volume of foreign trade also increased considerably, being 39 times greater in 1984 than in

1950. In 1965-1984 alone the volume of foreign economic exchanges increased by 8 times.

Alongside the increase in the volume of foreign trade, major changes were made in the export structure, taking the form partly of the expanded list of goods and services Romania offers its foreign partners and partly of the increased number of highly processed products.

Export of machines, transport equipment, and chemical products was developed more rapidly and reached first place. The share of those industrial sectors and subsectors in the export total came to more than 41 percent in 1984 from only 6 percent in 1950 and 25 percent in 1965.

The expansion and diversification of exports and importing strictly according to the needs of the national economy resulted in favorable trade balances in the current five-year plan, enabling Romania to make the payments due on its previous commitments completely and on time, to provide sufficient funds to make the necessary imports, and also to repay a considerable portion of its foreign debt. Romania is one of the few countries in the world that has succeeded in doing that by mobilizing a national effort.

The overall results obtained by the Romanian people in their internal socioeconomic development in recent years and the expansion and increased effectiveness of their foreign trade are especially significant because they were accomplished under the well-known complicated circumstances of stagnation or even reduction of world production and the limited volume of international trade due to the worldwide economic-financial crisis and the unprecedented aggravation of the protectionist barriers. (5)

Romania has made and continues to make a sustained effort toward international economic, scientific and technical cooperation, and it has acquired 27-30 percent of its export volume that way in the last few years, as well as about one-fifth of the raw materials essential to the national economy. Over 120 economic capacities are in operation in many states of the world that were built by Romania in collaboration with the respective states, while thousands of Romanian specialists are lending technical aid on the most diverse subjects. Meanwhile about 20,000 youths from other countries are studying or improving their training in various Romanian educational institutions or laboratories.

Reflecting the greater development of the national economy, Romania's increasingly intensive involvement in the international division of labor (which has become a factor for accelerated economic growth) required its active participation in the formation of mixed companies and in the activities of the international organizations. So far Romania has founded about 80 mixed marketing and production companies with other countries, including banks and companies for shipping, insurance and consulting, and it is one of the first socialist countries to form such companies. It also participates in a great many governmental and nongovernmental international organizations.

II. Nicolae Ceausescu's Report to the 13th RCP Congress and the Directives for Romania's Socioeconomic Development in the Eighth Five-Year Plan and on to 2000 include a broad program for further promotion of a policy of expanding international economic relations. The party general secretary said, "Development of

international economic relations and cooperation with other states in production has an important part to play in implementing the provisions of the next five-year plan." (6)

In the 1986-1990 period modernization and further improvement of the productive forces, intensive industrial development, continuing technical and qualitative improvement of products, strict conservation and better use of raw materials, fuels and energy, reduction of production costs and especially material outlays, and a substantial gain in economic effectiveness in all sectors and fields will be emphasized in economic activity.

Industry as a whole will make the effort to produce products on a high technical and qualitative level on the basis of the higher priority of the highly technical sectors and subsectors using the material and manpower resources with maximum effectiveness and making Romanian products more competitive on the foreign markets.

Agriculture is to make a more regular contribution to the national income, adequately supply the national economy's needs for agricultural raw materials, meet the public's consumer demands, and participate to a greater extent in the international economic exchanges.

The Directives of the 13th RCP Congress call for a more pronounced increase in exports, which are to show a gain of 52-56 percent in order to obtain favorable balances of trade and payments that can lead to complete liquidation of the foreign debt in the first years of the five-year plan and to consolidation of the state's foreign exchange reserves. (7) While some western countries are keeping interest rates excessively high and certain banks or international financial organizations like the IMF are trying to impose political and economic conditions on the credits granted, foreign loans are becoming unacceptable to the states that value their sovereignty and independence above all. The high technical potential of Romanian industry and the prospects of its further development enable it to plan to maintain and consolidate its advanced position and to gain new ones in order to become more competitive. The goal set of bringing about 95 percent of all Romanian products up to the technical and qualitative standards of those existing in the world and 2-5 percent of them above those standards* and putting Romania in first place in the world is highly convincing in this respect. According to the provisions of the program documents of the 13th Party Congress, industry and especially some of its sectors and subsectors such as machine building, chemistry, light industry etc. will continue to play the vital part in implementing exports and some important programs for international cooperation in the next five-year plan.

The policy of national socialist industrialization and general intensive development of the productive forces throughout the national economy has been stabilizing the Romanian economy, enabling it to log regularly favorable growth rates that are being accentuated despite the disruptions of the world economy and to close the balance of trade in the last 3 years with surpluses amounting to about \$7 billion.

Machine building, a result of national industrialization, succeeded in contributing about one-third of Romania's exports in 1984, and in the case of some

*By 1990.

products like river ships, locomotives, bearings, tractors, TV sets etc. its contribution is between 35.7 and 86.3 percent. The assortment of goods to be exported in the next five-year plan will be considerably enlarged by technological equipment, mining, power and petroleum equipment, transport means, machines and equipment for electronics, electrical engineering, agriculture etc. The Directives of the 13th Party Congress stipulate that over 96 percent of the 1990 commodity output shall consist of new and redesigned products up to the standards of the best technical and qualitative performances in the world. (8)

The chemical industry also has a major role in promoting some highly effective exports in the next five-year plan by virtue of the important increases called for in fine-synthesis chemistry, low-tonnage products, ultrapure semiconductor and monocrystalline materials, highly pure reagents, and other pure chemical substances.

The export capacity and effectiveness of light industry will be enhanced by expanding production of light articles with a high degree of finishing and a wide range of colors, by diversifying the varietal structure, using substitutes, improving performances, etc. New and highly efficient nonconventional technologies will be promoted.

Similar goals are set for all sectors of the national economy in order to increase exports and make them more competitive on the foreign markets.

Economic and technical-scientific cooperation with other countries will continue to play an important part in the strategy for Romania's socioeconomic development in the coming years, and it will make an essential contribution to coverage of Romania's requirement for raw materials and energy resources and to mutually advantageous specialization of production. The higher forms of cooperation will be encouraged and expanded, namely joint construction and operation of production capacities, formation of mixed companies to export some products, and joint construction of capacities for third markets, with provision for the greater economic effectiveness of that activity.

The intensive development of Romanian science and technology in the next period will make it possible not only to export the research findings incorporated in products but also to export them directly in the form of technologies, technical processes, licenses, industrial models and forms, services in the form of technical aid, consulting, engineering, servicing etc.

Since Romania's balance of foreign services is unfavorable and detracts from the surplus obtained in the balance of trade, it is particularly urgent and important to Romania's international economic activity to expand exports of services (without material inputs). In the future, identification and exploitation of such new opportunities to increase foreign exchange collections could help to close the present gap between Romania's share of about 1 percent in the world industrial output and its share of 0.6 percent in world exports.

III 1. As before the main emphasis in all Romania's foreign economic relations in the future as well will be on trade exchanges and cooperation in production with the socialist countries. Their share in Romania's total foreign trade was 53 percent in 1983. In 1965-1984 alone the volume of Romania's trade exchanges

with the other socialist states increased by more than 6 times. Those exchanges are also being considerably increased in the present five-year plan, being doubled for a number of products.

The higher forms of economic collaboration with the socialist countries have been expanded and are being further developed, with special emphasis upon construction of large capacities in this field by joint efforts. Among these we note the productive cooperation with the USSR, always Romania's main trade partner, to develop some production capacities in ferrous metallurgy, machine building, and chemistry and also in the ferrous alloys, pulp and asbestos industries. The Stinca-Costesti hydraulic engineering complex on the Prut was also built by our joint forces, and many other programs for technical-scientific cooperation are now under way, especially in the nuclear and aerospace fields.

Jointly with Yugoslavia, Romania built the Iron Gates I hydraulic engineering and navigation complex on the Danube, and the second such big capacity, Iron Gates II, is now being constructed and is about to be placed in operation. Romania formed the Giurgiu-Ruse Joint Enterprise for Heavy Equipment and the Duna-Rea Mixed Company in collaboration with Bulgaria.

Romania is also engaged in many cooperative programs with the CPR, the GDR, the Democratic People's Republic of Korea, Cuba, Mongolia, et al. In the chemical industry alone, Romania has helped or is helping to build modern enterprises in the GDR, the CPR and the Democratic People's Republic of Korea with technology and specialists.

As a founding member of CEMA, Romania is heavily emphasizing development of relations with the other member states and taking an active part in improvement of that international economic organization's activity so that it will serve its regulation purposes and goals as well as possible. The extent of Romania's participation in the expansion and intensification of multilateral collaboration in CEMA, in order to carry out the programs and agreements for collaboration that have been concluded and to enhance their effectiveness is indicated by the efforts it is making to implement the approximately 250 accords, conventions and other agreements concluded with the countries concerned. Moreover a large number of Romanian industrial units are helping to implement over 50 multilateral conventions for specialization and cooperation in the manufacture of some important products of the machine building and chemical industries. Close collaboration is going on in science and technology, in the form of more than 100 conventions for collaboration on specific research and development problems as well as cooperation in laboratories, collectives and joint programs for research, design and experimentation. Romania is also participating actively in the collaboration in 26 specialized international economic organizations and unions formed by the interested countries belonging to CEMA.

Participation in all these multilateral accords and agreements, along with further expansion of bilateral collaboration, has been favorably reflected in the expansion of Romania's trade exchanges with the other CEMA countries. The volume of these exchanges is now about 8 times greater than in 1960. The proportion of specialized production in the member countries' exports has increased considerably, in Romania's case from 12.1 percent in 1980 to 33.5 percent in 1983. The proportion of specialized products in Romania's exports of machine building products is also higher, having increased from 21.2 percent in 1980 to

49.6 percent in 1983. No doubt all the reserves for developing collaboration, specialization and cooperation in production in the interest of each member country and of socialism in general have not yet been exploited. With this in mind the Romanian delegation, headed by President Nicolae Ceausescu, attended the high level Economic Conference of CEMA Countries in Moscow in June 1984 and made an active contribution to the efficiency of the proceedings and to preparation of the documents. On this occasion it was found that the most important objectives of the CEMA states include more rapid transition of the national economies to intensive growth; their greater effectiveness on the basis of improved production structures, rational use of material and manpower resources, and better use of fixed assets and the technical-scientific potential; higher technical and qualitative standards for products; greater export potentials; and accelerated equalization of the member countries' levels of economic development. To attain those ends, it was decided to intensify collaboration in dynamic and harmonious development of the CEMA countries' national economies, in more intensive introduction of scientific and technical progress, and more complete procurement of the necessary resources, especially of fuels, energy, raw materials, food products, industrial consumer goods, and modern machinery and equipment.

It is a very significant fact that that the conference agreed upon joint preparation, on the basis of the national programs, of a General Program for Technical-Scientific Progress for 15-20 years, for purposes of more rapid solution of the major scientific and technical problems and application of the findings to the CEMA countries' production, so that socialism will fully assert itself as a main bearer of contemporary scientific-technical progress. Particular emphasis was also placed upon more intensive specialization and cooperation in production and especially in machine building, and it was agreed that collaboration in that field should concentrate on development of the key sectors of electronics, microprocessors and robots. Intensified collaboration in agriculture and agricultural food production was also among the subjects considered.

2. Among Romania's foreign relations, those with the developing countries are second only to those with the socialist states, and economic ties are among the most dynamic of all relations with the developing states. The trade exchanges and cooperation in production with those states in the last 20 years have increased more rapidly than all of Romania's foreign economic exchanges, having been powerfully spurred by high-level contacts and agreements. Whereas in 1965 the share of this group of countries in Romania's total foreign trade was 5 percent, it increased considerably in the following years and it is now far greater than the developing countries' share in world trade.

Special emphasis has been and still is placed upon building production capacities in those countries with Romanian installations and equipment and through technical aid to many sectors of their national economies. Through these programs for cooperation in production Romania is contributing effectively to the general economic progress of the developing countries. Among the main achievements in this field we mention six oil refineries in India, Pakistan, Jordan and Syria, the sodium factory in Iran, the chemical fertilizers combine in Syria, the sodium products plant in Egypt, thermoelectric power plants in Iran, Jordan, Syria, Pakistan and the Philippines, five cement factories in Iraq, Syria, Egypt and Pakistan, four wood processing combines in Sri Lanka, Iran, the People's Republic of the Congo and Nigeria, the capacities for the light and food industry built in

Iraq, Iran, Syria, Bangladesh and India, the assembly lines for trucks and tractors in Iran, India and Thailand, etc. Furthermore Romanian enterprises are contributing studies, designs, equipment and specialists to work petroleum deposits in Iraq, Iran, Syria, India, Algeria and Jordan, phosphate deposits in Jordan and Syria, iron ore deposits in Guinea and Gabon, and gold ore deposits in Morocco, Tanzania, Zambia, Chile and Peru, to implement land improvements and irrigation projects and build agricultural complexes and farms in Iraq, Syria, the People's Democratic Republic of Yemen, Burundi, the People's Republic of the Congo, Libya and Zaire, and to build highways, bridges, railways, harbors, housing and social-cultural capacities in the United Arab Emirates, Kuwait, Iran, Iraq, Syria, Jordan, Egypt, Libya, Morocco, Sudan et al.

The experience acquired in the cooperative programs made it possible to improve them by forming a great many mixed companies for production, marketing and transportation with Romanian participation in various companies of Asia, Africa and Latin America. Many Romanian specialists are employed in various aid programs in various activities in more than 600 developing countries, and a large number of youths from those countries are studying or pursuing various forms of specialization in Romania. Extensive economic and technical-scientific collaboration is maintained between Romania and the developing countries on the basis of more than 100 governmental accords and agreements. Along with the increasingly dynamic development of bilateral economic relations between Romania and those countries, their collaboration has been extended and is being expanded in the world arena. Strengthened collaboration and solidarity with those countries on the basis of mutual interests have a vital part to play in securing their economic and social progress, that of Romania, and peace and security in the world and in building the new international economic order.

3. In accordance with the principles of its policy of peaceful coexistence, Romania has promoted its economic exchanges and economic and technical-scientific collaboration and cooperation with the developed capitalist countries (9), some of which are traditional trade partners, and it will expand them in the future in accordance with the guidelines set by the 13th RCP Congress. At the start of this five-year plan the share of this group of countries in Romania's total foreign trade came to 29.5 percent, and they operate with more than 50 mixed companies for production, marketing and services, especially in the fields of banking and international insurance. Among the more important programs in the banking and international insurance fields in which Romania is participating with very good economic results, we note the Franco-Romanian Bank, the Anglo-Romanian Bank, the Frankfurt-Bucharest Bank, the Italo-Romanian Bank Company, the Romanian-American Insurance Company Ltd., the European Underwriters Agency, etc.

This policy is quite in keeping with the requirements to carry out the programs for development and modernization of the national economy and the efforts to promote active peaceful coexistence among states with different social systems and to resume the course toward detente in international affairs. Without overlooking the realities and contradictions existing in the world, especially that between the rich and poor countries, which has been amplified and aggravated to an unprecedented extent, Romania considers it the vital requirement for world peace and security to create a suitable international climate that will permit trade exchanges and equitable and efficient economic collaboration and cooperation on the basis of a clear and constructive evaluation of the situation.

The disturbances caused in the developed capitalist countries by the current worldwide economic crisis, the discriminatory and protectionist measures applied by some of those countries, their policy of embargoes and excessively high interest rates promoted by the United States especially, and the international political climate of unprecedented discord and aggravation have contributed to the restriction of world trade and that between certain countries or groups of countries in the last few years.

In this unfavorable international situation, Romania's economic relations with some developed capitalist states have evolved below its potentials for export and foreign cooperation in view of its constantly growing economic potential. The developed capitalist countries are still important partners in Romania's foreign economic relations, with prospects of increasing their share in the traditional efficient and nondiscriminatory economic exchanges. Some of these countries, like the United States for example, are using the existing opportunities to expand economic relations with Romania. Steadier progress has been made in the economic exchanges between the two countries in recent years, and it has been agreed to take further measures to bring the volume of these exchanges up to \$2 billion in both directions. In view of the continuing development of the Romanian economy and the great economic potential of the United States, it is believed that the goal set by common accord of the two countries can be attained and even surpassed. As regards the formation of new long-term contracts, of the kind whereby the United States supplies large quantities of coking coal for Romania's iron and steel industry, those are held up by the most favored nation clause. The annual review of this clause is considered null and void even by the American businessmen. The problem of licenses is another obstacle to economic relations between Romania and the United States. The Americans display an exaggerated fear that certain secrets will reach Romania in some way and other countries from there, which fear is entirely unjustified. Romania's economic relations with other developed capitalist countries are evolving favorably, especially in the field of cooperation in production or delivery of equipment of great urgency and importance to Romania's national economy. Canada may serve as an example of this, with whom Romania is building its first nuclear electric power plant, to be activated at the beginning of the next five-year plan.

Romania's effort to expand its economic and technical-scientific connections with the whole world is apparent in all fields. For instance, in constructing the Danube-Black Sea Canal, the greatest economic investment in its history, Romania considered the necessity of meeting the internal requirements of its national economy first of all, but it also tried to arrange for the use of this line of communications to develop international trade. To that end Romania also proposed to supplement the canal with a ferryboat line to Turkey and to shorten the route to the Near East thereby. It will also develop Constanta port and allocate part of its capacity to a free-trade zone, a matter on which discussions have already begun with a number of states and foreign companies to conclude the appropriate agreements.

IV. Romania's foreign economic relations and arrangements for their unrestricted maintenance with all countries also include its efforts to eliminate underdevelopment and to establish a new international economic order. President Nicolae Ceausescu, whose merits in connection with development of the concept of the new world order and the start of important actions to implement it are widely

known and recognized, recently reaffirmed the urgency of starting real negotiations between the developed and developing countries for a global solution to the world's economic-financial problems in order to bring about a new international economic order based on equality, equity and mutual benefit, to give the developing countries unrestricted access to modern technologies, to do away with the customs barriers and to set adequate prices for those countries' products. He pointed out that this is the only way to achieve stability in the world and the harmonious development of the world economy in the interest of all states, including the rich ones. The refusal of the developed countries and the international banks and financial institutions to start negotiations and their preference to solve the problem of the developing countries' debts on an individual basis are actually designed to impose economic and political conditions on them and to disunite and transform them into semicolonies again. Of course the solution of the world's serious economic and financial problems and the achievement of the new international economic order would help to develop collaboration and strengthen peace on earth.

FOOTNOTES

1. Nicolae Ceausescu, "Report to the Central Committee on the RCP's Activity Between the 12th and 13th Party Congresses and Its Future Activity to Accomplish the Aims of Romania's Socioeconomic Development in the 1986-1990 Five-Year Plan and on to the Year 2000," Political Publishing House [PPH], Bucharest, 1984, p 37.
2. Nicolae Ceausescu, "Speech at the Plenum of the RCP Central Committee on 27 June 1984," SCINTEIA, No 13,015, 28 June 1984.
3. "Program for Technical and Qualitative Improvement of Products, Reduced Inputs of Raw Materials, Fuels and Energy, and Better Use of Raw Materials and Materials in 1983-1985 and up to 1990," SCINTEIA, 30 November 1983.
4. Elena Ceausescu, "Speech at the 13th RCP Congress," SCINTEIA, No 13,140, 21 November 1984.
5. Prof Dr Alexandru Puiu analyzed these points exhaustively in his book, "Contradictory Developments in the World Economy," PPH Bucharest 1983, pp 61-123 and 124-170.
6. Nicolae Ceausescu, "Report to the 13th RCP Congress," PPH, Bucharest 1984, p 25.
7. "Directives of the 13th RCP Congress on Romania's Socioeconomic Development in the 1986-1990 Five-Year Plan and Long-Range Objectives up to the Year 2000," (draft), PPH Bucharest 1984, p 45.
8. Ibid., p 32.
9. "Resolution of the 13th RCP Congress," SCINTEIA, 25 November 1984.

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CSO: 2700/160

ROMANIA

CHANGES IN IMPORT, EXPORT STRUCTURE

Bucharest REVISTA ECONOMICA in Romanian No 19, 10 May 85 pp 7, 8, 28

[Article by Dr Ovidiu Rujan: "Radical Structural Changes in Romania's International Economic Relations"]

[Text] The far-reaching restructurings that have taken place in Romania's national economy in the years of socialism have changed Romania from an agrarian country with an underdeveloped industry and agriculture into an industrial-agrarian country with a strong and modern industry and a fully developing socialist agriculture.

The last two decades have been the most dynamic stage of Romania's development, wherein Romania has made great historic strides under the influence of Nicolae Ceausescu's creative thought, under his direct leadership, and through the Romanian people's heroic work. Romania has greatly improved its position in the international division of labor by overtaking the world growth rates during this period (Table 1).

The rise of Romania's social labor productivity and the resulting improvement of its position in the international division of labor are due to modernization of its national economic structure and adjustment of the latter to the trends of the world economy generated by the contemporary scientific-technical revolution. Romania's foreign economic relations and its participation in the world economic cycle are making an important contribution to this process.

Development Is Basic to Expanded Exchanges

The strategy of developing Romania's foreign economic exchanges is based on the principle that growth of social labor productivity plays a decisive part, as Party General Secretary Nicolae Ceausescu brilliantly pointed out at the Conference on Foreign Trade Activity in February 1967, when he said, "In the last analysis the productivity of social labor determines the effectiveness of exports." (1)

The progress of Romania's productive forces and the growing effectiveness of its foreign economic relations, as closely interacting phenomena that stimulate each

other, have increased the competitiveness of the Romanian economy in a continuous process with broad prospects. Thanks to modernization of the production structure, improved qualifications of the labor force, accelerated introduction of technical progress into production, and development of scientific research, the relative advantage to the Romanian national economy in productivity shifted from the primary products to the manufactured ones.* The emphasis upon the intensive aspects of reproduction in the last few years favored relative advantages in the sectors making intensive use of the resources, as indicated by Table 2 comparing labor productivity in various sectors with the average for all industry (Note that in the 1965-1983 period all these sectors more than doubled their labor productivity expressed in absolute figures).

Table 1

Average Annual Growth Rates of Worldwide and Romanian Industrial, Agricultural and Export Production in 1965-1984

Indicators	World	Romania	Coefficient of advance (Romania/World)
Industrial production	4.3*	9.8	2.28
Agricultural production	1.7*	7.2	4.23
Exports	12.9	13.4	1.04
Industrial labor productivity	3.3**	6.1	1.84

Sources: United Nations, MONTHLY BULLETIN OF STATISTICS, No 1, 1985, pp XII, XIII. UNCTAD, "Handbook of International Trade and Development Statistics," 1984, pp 408-426. "Statistical Yearbook of Romania, 1984." "Statement on Fulfillment of the Uniform National Plan for Romania's Socioeconomic Development for 1984."

*For the 1965-1983 period.

**For the 1970-1983 period.

In 1965 labor productivity in Group B was above the average for all industry while that of Group A was below the average, but in 1983 the ratio had shifted in favor of Group A. Labor productivity in metallurgy, chemistry, the pulp and paper industry and the food industry was above the average for all industry. The evolution of this indicator in 1965-1983 in the metallurgical, chemical, machine building, construction materials, glass and pulp and paper industries overtook that in all industry.

The improvement in the industrial structure in favor of the peak sectors bringing technical progress led to intensified reproduction, greater effectiveness, increased accumulation and a new and better structural balance of the national economy. The economy became more competitive and economic independence was strengthened because national industry could meet the heavy demands for machines and equipment needed to expand the national reserves of raw materials and energy resources and to create an intensive and highly productive agriculture.

*In a relatively short time.

Table 2

Comparisons of Labor Productivity Among Sectors of Romanian Industry in 1965, 1963
(in percentages)

Industrial sectors	1965	1983	Changes 1983/1965
Industrial total	100	100	
- Group A	94.5	107	+13
- Group B	112.3	83.8	-25
- Metallurgy	157	174	+11
- Machine building	87.6	99*	+13
- Chemistry	124	143	+15
- Construction materials	60	100	+66
- Wood exploitation, processing	51	43	-16
- Pulp and paper	80	118	+47
- Glass, porcelain, pottery	43	47	+9
- Textiles	71	62	-12
- Garments	84	59	-30
- Hides, furs, footwear	63	58	-8
- Food	242	179	-26

*For 1980.

N.B. The figures in the first two columns indicate the level of labor productivity in each sector in percentages of the industrial total labor productivity. The third column indicates the changes in percentages of those levels.

Source: "Statistical Yearbook of Romania 1984," pp 85 and 101.

New Sectors, New Products, New Exports

Romania's foreign economic relations underwent radical structural changes as a direct result of development and modernization of the productive forces of the entire national economy. Industry, the leading sector in the national economy, increased its export deliveries at much higher rates than agriculture did. The ratio of industrial products to agricultural ones (including food products) in exports increased by 4 times in favor of industrial products in less than 20 years, and the corresponding ratio in the imports also changed in favor of industrial products in the same period. At the same time there was a qualitative leap in the Romanian export structure. The ratio of the value of manufactured products to that of the primary ones increased by 2.5 times in favor of manufactured products, while the corresponding ratio in imports went down (Table 3).

The most significant gains in exports in the last 20 years were in products of the machine building industry, chemical products and industrial consumer goods, while in imports the primary products essential to constantly progressing Romanian industry increased much more. The structural changes in Romania's trade exchanges are indicated in Table 4.

Table 3

Ratios Between the Groups of Industrial and Agricultural Products and Between the Manufactured and Primary Products in Romanian Exports and Imports in 1965 and 1983

Indicators	1965		1983	
	Export	Import	Export	Import
Ratio between values of industrial and agricultural products*	1.83	5.99	7.06	8.52
Ratio between values of manufactured and primary products**	0.65	1.18	1.51	0.57

*Including food products

**Including metals

Source: "Statistical Yearbook of Romania 1984," p 262

Table 4

Romania's Export and Import Structure in 1965 and 1983
(in percentages)

Group of goods	Export			Import		
	1965	1983	Gain	1965	1983	Gain
Transport means, machines, equipment	18.8	31.7	1,389	39.9	24.8	381
Fuel, mineral raw materials, metals	25.1	27.4	900	31.4	53.4	1,042
Chemical products, fertilizers, rubber	6.4	9.7	1,250	6.3	6.6	642
Building materials, accessories	3.4	2.0	485	1.4	0.9	394
Non-food raw materials, processed products not in the other groups	13.8	4.4	263	11.1	5.0	276
Livestock on the hoof	x	x	x	x	x	x
Raw materials for food products	7.6	1.4	152	0.8	3.0	2,298
Food products	13.9	6.6	391	2.4	2.5	639
Industrial consumer goods	11.0	16.8	1,258	6.7	3.8	348
Total			846			613

Source: "Statistical Yearbook of Romania 1984," p 262

Note that in the group of transport means, machines and equipment the greatest gains in the last 20 years were in the products with a high technological content and the machines and equipment for production such as electric motors of 1,000-watt capacity and more (by 9 times), tractors and agricultural machines and equipment (by 17 times), ships and ships equipment (by 16 times), machines equipment and installations for geologic exploration and drilling and operating wells (by 6 times), equipment for the cement industry (by 83 times), equipment for the chemical industry (by 6 times), bearings (by 12 times), touring cars (by 28 times), etc. In the group of chemical products as well the highly processed products showed more rapid increases, such as varnishes and paints (by 36 times),

plastics and synthetic resins (by 13 times), synthetic threads and fibers (by 114 times), drugs for human and veterinary use and biostimulants (by 9 times), etc. Romania accounts for about 1 percent of world exports of chemical products compared with the quota of 0.6 percent in all world trade. In the group of industrial consumer goods more pronounced evolutions were shown by exports of fine household ceramics and glassware (by 20 times), knits (by 19 times), textile garments (by 10 times), furniture (by 8 times), leather footwear (by 7 times), various household appliances, etc. Romania has also become an important exporter of ferrous and nonferrous rolled goods, the export volume of which has increased by about 6 times.

As for imports, the highest proportions in the group of transport means, machines and equipment are in equipment for telecommunications and for lifting and transportation, equipment for metallurgy, mining and chemistry, machines and equipment for processing wood and metals, railroad rolling stock, etc. The ability of Romanian industry to supply over 90 percent of the investment requirement out of domestic production in the last few years compared with 65-70 percent 20 years ago has made it possible to reduce the imports in this group and, beginning in 1981, to realize some considerable surpluses in the balance of trade in machines and equipment (22.4 billion lei in 1983).

Growing proportions of Romanian industry's requirement for raw materials, materials and fuels are being supplied out of domestic resources, as indicated by the reduction in recent years of imports of such primary products as wool, cotton, cellulose fiber, jute bundles, coke, iron and steel rolled goods and pipes, etc.

Flexibility of exports compared with production, or the ratio between the average annual growth rates of the two values, is high in the case of many highly processed products, attesting their growing competitiveness by virtue of technical characteristics and performances meeting the demands of the world market despite the increasingly keen competition in recent years. According to this indicator the group of industrial consumer goods (2.44), that of machinery and equipment (1.44), and that of chemical products (1.3) are in the lead. In the machines group the greatest flexibility of exports compared with production was shown by the machines, equipment and installations for geologic exploration and drilling and operation of wells (2.65), passenger cars (4.55), tractors (3.78), equipment for the chemical industry (1.18), freight cars (1.65), bearings (1.52), etc. The greatest flexibility in the group of chemical products was logged by chemical fertilizers (11.8), synthetic threads and fibers (2.2), drugs (1.77), plastics and synthetic resins (1.77), etc., while TV sets (7.3), radio sets (1.41), refrigerators (1.51), furniture (1.33), knits (4.41), textile garments (1.97), leather footwear (2.49), etc. are outstanding among the industrial consumer goods.

The structural improvement of Romanian exports by shifting their proportions from the groups of raw materials or products with a low degree of processing to the groups of processed products was accomplished through the pronounced emphasis upon exporting the output of machines, equipment, chemical products or industrial consumer goods competitive on the foreign market. Accordingly the export quota of the tractor output rose from 21 percent in 1965 to 81 percent in 1983, that quota of passenger cars increased from 9 to 41 percent, that of bearings from 30 to 46 percent, that of freight cars from 41 to 68 percent, that of

polyvinyl chloride from 14 to 58 percent, that of synthetic threads and fibers from 9 to 20 percent, that of varnishes and paints from 2 to 18 percent, that of cotton weaves from 11 to 17 percent, that of footwear from 7 to 18 percent, etc. Moreover the drilling installations are in a high proportion of the output (over 50 percent), as well as the diesel and electric locomotives for main lines (40 percent), machine tools for metal processing (23 percent), etc. Development of production of exports with advanced processing has permitted an intensive foreign trade, increased exports, and considerable surpluses in the balance of trade, namely 27 billion lei in 1982, 43 billion lei in 1983, and over 67 billion lei in 1984.

The structural changes in Romania's trade exchanges have considerably enhanced their effectiveness. Thanks to the radical change in the ratio between the degree of processing of the products in the export total and that in the import total and the more dynamic long-term evolution of prices for manufactured products than that of prices for the primary ones, Romania's rate of exchange has been going up in the last few years, reflecting a corresponding gain in the world's evaluation of the Romanian people's social labor.

A Dynamic Conception of International Trade

The greater scope of Romania's trade exchanges would have been impossible without a corresponding development of its marketing methods in the sense of a shift to better ways of participating in the world economic cycle such as the various forms of international cooperation, which greatly contribute to the steady and balanced development of the national economy. As an improved arrangement for international economic relations, of which Romania was one of the initiators about 20 years ago, international economic cooperation (especially in production, sales, scientific research and services) has accounted for about 30 percent of Romania's foreign economic exchanges in the last few years, and it is particularly developed in the peak sectors of the machine building and chemical industries. International economic cooperation, consistently promoted by the nation's president himself, is making a major contribution to encouragement of technical progress, training of specialists, high technical levels for the products, stable and long-term trade exchanges, etc.

The 130 or so agreements for international economic collaboration and cooperation that Romania has concluded with the socialist countries, developing countries and developed capitalist countries, which were largely agreed upon at Nicolae Ceausescu's high-level meetings with state and government leaders, are the solid legal framework for intensification and diversification of the cooperative programs, and the approximately 70 mixed production, trading and banking companies in which Romanian economic units also share are the direct result of Romania's intensified and improved international economic cooperation in recent five-year plans.

Militating for geographic expansion of international economic relations and collaboration with all states of the world* on the principles of equality and mutual benefit, Romania maintains diplomatic and economic relations with 155 states and participates in more than 80 international organizations, directly contributing to the solution of the great problems facing mankind.

*Regardless of social order.

Inasmuch as development of international economic relations is going to play a vital part in carrying out the provisions of the next five-year plan, Romania will expand its economic exchanges and cooperation in production with all the socialist countries, and it will take steps to keep expanding its economic relations with the developing countries and all countries of the world regardless of social order. Moreover the implementation of the 13th RCP Congress' decisions and the special programs for technical and qualitative improvement of products, greater labor productivity, and lower material and energy inputs guarantee continuation of the radical structural changes in Romania's international economic relations on a higher level. As Nicolae Ceausescu pointed out in the Report to the 13th RCP Congress, in the long run "...Intensive socioeconomic development, and technical and qualitative improvement of the national economy will make it possible for Romania to participate even more actively in the international division of labor, in world economic exchanges, and in cooperation in production, science and technology." (2)

FOOTNOTES

1. Nicolae Ceausescu, "Romania on the Road to Completion of Socialist Construction," Vol 2, Political Publishing House, Bucharest, 1968, p 218.
2. Nicolae Ceausescu, "Report to the 13th RCP Congress," Political Publishing House, Bucharest, 1984, p 37.

5186

CSO: 2700/156

ROMANIA

USE OF INVESTMENT FUNDS IN MINING SECTOR REVIEWED

Bucharest REVISTA ECONOMICA in Romanian No 13, 30 Mar 85 pp 7-8

[Article by I. Minciunescu: "Sustained Pace in Using Mining Investments"]

[Text] Investment programs established for this 5-year period have paid and are paying special attention to the development of raw materials and the energy base, particularly in the mining sector, which must have raised production goals in order to assure the necessary energy resources. Year after year the mining industry has been granted significant investment funds. In this year alone the allocation was more than 60 billion lei (in relative terms, approximately twice that of the previous 5-year period), which has taken the form of new production capability and the modernization and development of existing mines.

In 1985 the mining sector benefitted from more than 13 billion lei in investments, of which about 5 billion lei were for construction-installation, particularly for the implementation of new capabilities which will assure an increase of lignite production by more than 30 percent, coal production by 10 percent and copper-bearing minerals by 63 percent as compared to the 1984 level. Within this framework the majority of mines and installations within the Jiu Valley will be modernized and developed. Twenty-seven new production lines will be set up to exploit lignite in the quarries of the basins of Motru, Rovinari, Mehedinti and Vilcea, and new production capabilities will be completed in the mineral sectors of Moldova Noua, Rosia Poieni, Valea Morii, Coranda Hondol, Faget Rodna, etc.

Mining investment activity has a specific manifested nature, both in its permanent character as well as in its development in advance of production. In fact, this also explains the growth in the volume of investment for the first trimester of the current year by 2.4 percent of the total and by 16.6 percent in construction and installation as compared with last year. By the same token, newly created or modernized capabilities will assure the planned levels of production for the second and third trimesters of this year.

In the first 2 months of this year a significant number of mining units (C.M. Motru, C.M. Ploieste, C.M. Baia Mare, C.M. Deva, I.M. Voivozi, I.M. Salaj) succeeded in realizing and even exceeding the plan, both in total investments and in construction and installation. Special attention was and is being devoted continuously within this framework to construction and installation activity (growth as compared to last year is 12.5 percent), particularly

with regard to acceleration of the pace of installation of major transport systems for the production flow of quarries and mines and the speed-up of deliveries by the suppliers of assemblies and sub-assemblies of this equipment, on the basis of timetables and type of installation. Nevertheless the forecasts of the total investment plan by the Ministry of Mines were only 91.1 percent realized. The causes of such a situation are generated by complex factors, among which the most important are: the maintenance of lowered utilization factors for some equipment (drilling equipment, bulldozers, dump trucks, etc.), as a consequence of incomplete fulfillment of work conditions and irregular supply of required spare parts, which resulted in the amount of time for cutting and clearing being greater than planned; the non-fulfillment of the planned level of required work force, both in terms of trained professionals, particularly in the trade categories mentioned, and quantitatively; the non-delivery or late delivery of some equipment by suppliers (at C.M. Jiu Valley there is an overdue balance of 130 million lei in belt and scraper conveyers while at the same time the Timisoara Mechanical Enterprise has an overdue balance of 125 million lei in CI-2 combines and CMA-5H complexes, etc.).

Within the framework of measures taken for recouping these overdue balances and the full realization of the investment plan for this year, raising the pace of work on principal objectives has top priority. Thus, beginning with March of this year, the pace of execution was raised to 1,300 million lei per month, of which 500 million lei were for construction and installation, which will permit the annual investment plan to be fully realized by 30 November of this year. Special emphasis is placed here on:

--speeding up the pace of underground mining work at the Lupeni, Petrila, Aninoasa, Dilja, Barbateni and Livezeni mines, as well as setting up new capabilities at Petrila south, Valea de Brazil, Iscroni, Rascoala, etc. At the same time investment work will begin at the Hodoreasca, Farcasesti, Valea cu cu Apa, Sardanesti Barbatesti and Bustuchin quarries and at the Farcasesti and Zegujani mines;

--increasing the volume of scraping, both at the lignite and bituminous schist quarries as well as of copper-bearing minerals from the basins of Mehedinti, Motru, Rovinari, Vilcea, Moldova Noua and Rosia Poieni;

--speed-up of the pace of installation of rotor excavators, dumpsters and main conveyor belts in the coal sector as well as large-capacity production lines for preliminary installations in the minerals sector (1985 will require the set-up of 27 rotor excavators, 12 dumpsters and 205 large-capacity conveyor belts);

--the promotion of new technology to make use of reserves of lignite in conditions that are difficult to exploit, as well as the improvement of the extraction factor for mineral deposits with a reduced metal content.

All of these measures will assure the conditions necessary for the entire mining industry to experience more than a 40 percent increase in production this year as compared to 1984. At the same time they will substantially influence the level of investment plan fulfillment, which, in the period from

March-November of this year, will be larger than last year by 20 percent overall and by 45 percent in construction and installation.

Important measures were also taken to improve the quality of coal by carrying out certain investment projects for: eliminating the intermixture of dead rock larger than 0.4 meters in the strip mining of coal, the assembly and start-up of some new installations for crushing lignite, for removing dead rock from coal mines and from preliminary installations, as well as increasing the recovery factor in preliminary installations from Jiu Valley. At the same time at the level of the ministry and the mining units, firm, concrete measures were established, in collaboration with the supply enterprises, to start up production installations at the lignite quarries overdue from 1984, as well as assuring the timely delivery of sub-assemblies and spare parts needed to create a broad work front that will permit an even larger increase in the coal production forecast for this year.

9794

CSO: 2700/151

YUGOSLAVIA

ECONOMIST DISCUSSES REPAYMENT OUTLOOK TO 1990

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1-3 Jun 85 p 11

[Statements by Dr Mladjen Kovacevic, professor at the Belgrade Economic Faculty]

[Excerpt] [Although] it is not certain how world trade will develop up to 1990, it seems probably that the rate of growth will be relatively modest which is a signal to us that it will be clearly difficult to achieve the planned nominal rate of about 10.7 percent and real rate of about 6 percent for Yugoslav exports of goods and services up to 1990.

Changes in the economic system and development policy are needed and one cannot arrive at these without adequate changes in the political system; but there is not enough readiness for this on the responsible levels. Even if the changes noted in the Long-Term Program of Economic Stabilization are rapidly achieved, positive results would be slow. If delays continue which is very probable, we cannot achieve the planned increase either in the social product, in exports and imports, or employment.

[In regard to reducing the principal on the debt by \$2.5 billion by 1990] there are economic and non-economic arguments pro and con. Those who believe that it is not necessary in this period to reduce the debt principal, say that if we do not return these funds, they could be used to solve structural disproportions of the economy, and could be used for investment in export-oriented sectors which could help to activate the economy, and to increase imports, the social product, employment and the standard of living. But the question is whether it is certain that under the existing economic and political system these unreturned funds would be used with maximum efficiency, whether the foreign exchange earnings based on their investment would be more than the interest payments on the funds we will get by reprogramming the debts which have fallen due.

Another important question is how after 1990 we will return the 1985-1990 principal which had been postponed, along with those payments which will fall due after 1990. I personally believe that one should try to repay the principal.... One should not overlook the positive psychological effect this would reduce the present feeling of powerlessness in many economic sectors; and secondly, we who have used and benefited from spending foreign funds are sacrificing part of this expenditure so that the coming generations will not have such a large debt to repay.

[In regard to the new draft plan on the long-term development of the country to 2000] I believe that most serious economists would say that there is no chance at all that it can be achieved (as was also asserted in regard to the ambitious expectations in the 1985 Resolution), until the basic orientations contained in the Long-Term Program for Economic Stabilization are realized as a whole. Unfortunately, the social climate for realizing this program is still unfavorable and if such a situation is drawn out into the coming years, Yugoslavia will fall into an ever greater economic and social crisis.

CSO: 2800/350

YUGOSLAVIA

CHANGES IN 1985 FOREIGN EXCHANGE ALLOCATION FOR FEDERAL USE

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 26, 24 May 85 p 833

[Order issued by the Federal Executive Council in Belgrade 13 May 1985, signed by its vice chairman Janez Zemljarić: "Order on Amendments and Supplements to the Order Allocating Foreign Exchange Established To Meet the Needs of Federal Bodies and Agencies and To Meet Needs in Exercising the Rights and Discharging the Duties of the Federation in 1985"]

[Excerpt] 1. In the Order Allocating Foreign Exchange Established To Meet the Needs of Federal Bodies and Agencies and To Meet Needs in Exercising the Rights and Discharging the Duties of the Federation in 1985 (SLUZBENI LIST SFRJ, Nos 5, 1985, and 14, 1985), the number "16,044,609,000" in Point 1, Paragraph 1, Subparagraph 1, shall be replaced by the number "16,084,609,000," and in Subparagraph 2 the number "103,037,027,000" shall be replaced by the number "102,997,027,000."

2. In the Allocation of Foreign Exchange for 1985, which is an integral part of the Order Allocating Foreign Exchange Established To Meet the Needs of Federal Bodies and Agencies and To Meet Needs in Exercising the Rights and Discharging the Duties of the Federation in 1985, Item 9 shall be amended to read as follows:

"9. Federal Secretariat for National Defense

Invisible payments:

Official travel	106,682,000	
Representative offices	306,405,000	
Assessments	5,838,000	
Medical treatment abroad	39,571,000	
Specialization	338,937,000	
Other payments	8,100,000	805,542,000
Visible payments		<u>97,617,228,000</u>
Total		98,422,770,000."

Item 39 shall be amended to read as follows:

"39. Department for Rendering Entertainment
Services of Federal Bodies and Agen-
cies

Invisible payments:

Official travel

2,338,181

Other payments

45,207,741

47,545,922

Visible payments

47,962,875

Total

95,508,797."

Following Item 39, Item 39a shall be added to read as follows:

"39a. Aviation Department of Federal Bodies
and Agencies

Invisible payments:

Official travel

1,261,819

Other payments

29,058,259

30,320,078

Visible payments

27,971,125

Total

58,291,203."

3. This order shall take effect on the day after publication in SLUZBENI LIST
SFRJ.

7045

CSO: 2800/340

YUGOSLAVIA

WORK STOPPAGES IN 1984; CASES IN SERBIA, 1985

[Editorial Report] According to the trade union federation weekly RAD of 10 May 1985 (Belgrade, page 4), last year about 30,000 workers took part in a total of 384 work stoppages, or 33.3 percent more than in 1983 and that the average length of work stoppages increased from 4 hours, 45 minutes in 1983 to 7 hours, 45 minutes in 1984. Most workers involved in these strikes worked in the following enterprises: the OOUR for producing medicines in the Galenika work organization in Zemun (1,150), the OOUR for producing medicines in the Pliva SOUR in Zagreb (500), the Udarnik construction work organization in Zagreb (450), a construction OOUR within the Neimar work organization in Belgrade (400), the auto body OOUR in the Crvena Zastava plant in Kragujevac (400), and an OOUR in the bicycle plant in Sarajevo (400). However, it said that between 20 and 50 workers participated in most of the work stoppages last year; less than 100 workers participated in 274 strikes, while over 100 participated in 88 strikes, and more than 200 participated in 16 strikes.

BORBA of 31 May 1985 (Belgrade, page 5) said that problems over wages were largely the cause for the 33 work stoppages in Serbia in the first quarter of this year.

The 20 May 1985 issue of EKONOMSKA POLITIKA (Belgrade, page 31) reported that in the Sumadija and Pomoravlja areas of Serbia 14 work stoppages had already occurred in the first few months of this year compared to 9 in all of last year. As a result, an extraordinary meeting of the inter-opstina conferences of the LC and the trade union federation for these areas was held where it was said that the main cause for work stoppages was the rapid fall in living standards; e.g., 44 percent of the workers in Kragujevac Opstina had below-average personal incomes, while 2,000 workers were receiving only about 12,000 dinars monthly. While this was noted as the immediate cause of the work stoppages, it was said that "the number of work stoppages points to the conclusion that criticism and dissatisfaction with the total social organization is growing among working people and citizens. This criticism is primarily founded on the slow and ineffective implementing of the Long-Term Program of Economic Stabilization." It was said that enterprises are having problems with irregular delivery of producer goods, a lack of spare parts, obsolete technology, poor working conditions, all of which interrupts production, lowers the level of labor productivity, and thus, the level of funds available for personal incomes.

CSO: 2800/350

10 July 1985

YUGOSLAVIA

REPUBLIC, PROVINCIAL CONTRIBUTIONS TO FUND FOR UNDEVELOPED AREAS

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 25, 17 May 85 p 796

[Order issued by the Assembly of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces at its 16th meeting on 6 March 1985: "Order Establishing the Annual and Monthly Advances of the Permanent Resources of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces for 1985"]

[Excerpt] 1. The following sums of the annual and monthly advances of the permanent resources of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces (hereinafter "the Fund") are hereby established.

Republics and Autonomous Provinces	Annual Advance of Fund's Perma- nent Resources	In millions of dinars	
		Resources on Basis of Mandatory Loan (50%)	
		Annual Obligation	Monthly Obligation
SR [Socialist Republic]			
Bosnia-Hercegovina	21,836.4	10,918.2	909.9
SR Montenegro	3,620.9	1,810.4	150.9
SR Croatia	39,298.5	19,649.2	1,637.4
SR Macedonia	9,238.6	4,619.3	384.9
SR Slovenia	24,866.4	12,433.2	1,036.1
Serbia proper	37,672.1	18,836.1	1,569.7
SAP [Socialist Autonomous Province] Kosovo	3,668.2	1,834.1	152.8
SAP Vojvodina	18,017.8	9,008.9	750.8
Total	158,218.9	79,109.4	6,592.5

7045

CSO: 2800/340

YUGOSLAVIA

ZAGREB INSTITUTE STUDY ON POPULATION INCOME LEVELS

Belgrade BORBA in Serbo-Croatian 1-2 Jun 85 p 3

[Excerpt] According to a Zagreb Market Research Institute [ZIT/CEMA] study, 3,580,000, or 56 percent of Yugoslav households, have below-average incomes. At the same time, this average is only 10 percent above the level of income considered to be an absolute "survival" minimum. The standard of living considered to be normal is 44 percent more than this average income.

Only about 20 percent (or 1,280,000) of the 6,400,000 households in Yugoslavia have a normal standard of living; this includes a small number of households (about 2 percent) which has what is termed a luxury standard, namely 150 percent higher income than the average.

Another 24 percent of households (1,536,000 with about 6.1 million members) is still not economically threatened to a significant degree. A more modest standard of living with more budgetary restrictions make it possible for members of these households to satisfy, generally speaking, their most important needs.

About 33 percent of households (2,112,000 with about 6.8 million members) is quite economically threatened. These have below-average incomes but these nevertheless range up to 10 percent above the "minimum for survival."

Finally, 23 percent of Yugoslav households (1,472,000 with about 4.5 million members) have incomes which are just enough to cover the costs of housing and food, at a "survival" level, and not even that, since many are in debt to friends, have taken loans on loans,...cannot pay the rent (in socialized housing), utilities, etc.

One way of coping is to have small farm plots. Although only 5 percent of all households have a monetary income only from farming, another 25 percent have income from both farming and other sources, while 52 percent (according to a 1983 study of the Zagreb Institute) independently produce agricultural and food products, and another 13 percent get agricultural products from relatives. This means that 65 percent of Yugoslav households are still more or less directly linked to agriculture. To satisfy "survival needs" 66 percent of Yugoslav households spend about one-half or more of their incomes for food.

Rent, taxes, heating, electricity, gas, water, TV and radio subscription payments, telephone, etc account for about 15 percent of average family budgets; and these costs are rising. In households with low incomes these costs average as much as 22 percent of the family budget, while for those with high incomes, they average up to 10 percent of the family budget.

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YUGOSLAVIA

BRIEFS

EXPLOSION IN STARI TRG MINE--On 23 April at about 1100 the Stari Trg mine [part of the Trepca mining-metallurgical combine in Kosovo] was seriously damaged and work suspended because a 300-meter compressed-air pipe exploded. The explosion was of great intensity and unprecedented in this mine. The material damage was enormous but fortunately only three miners were slightly injured. The cause is not known and an investigation is underway. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 24 Apr 85 p 1]

ROBOTS IN SKOPJE PLANT--Series production of robot-manipulators under license from the Japanese Yamasaki firm will soon go into production at the "Tito" Metal Plant in Skopje. The contract to buy the license was signed in December 1984 and the first robots which are used in so-called flexible lines in machine-tool production will appear on the market in mid-1986. This is the first Yugoslav work organization which will produce this kind of robot in series production in cooperation with the Yamasaki firm. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 31 May 85 p 12]

EXPLOSION IN ZAGREB AREA PLANT--The steam-boiler explosion in the OOUR for producing penicillin antibiotics within the "Pliva" plant in Savski Marof near Zagreb on 10 May injured seven workers and resulted in considerable material damage. Criminal procedures have been initiated against six workers in the fire-fighting department of the plant. [Summary] [Belgrade BORBA in Serbo-Croatian 14 May 85 p 12]

OIL IMPORTS--In the first quarter of this year only 2.289 million tons of crude oil was imported, or 461,000 tons less than planned. But this was not felt so much, because at the same time temporary reserves from last year were consumed, while 388,500 tons of oil products were imported, or 36 percent more than the plan. Although the FEC (Federal Executive Council) decided to import 1.3 million tons of crude oil from the convertible currency area and the same amount from the clearing-account area in the second quarter of this year, almost nothing has come to this because of the lack of foreign exchange; nor have there been barter deals, although our refineries were supposed to provide 20 percent (1.1 million tons) of the planned oil imports for this year through such trade. While prospects exist for such trade with Nigeria (1 million tons), Kuwait (0.5 million tons), Algeria, and Egypt, the oil industry is avoiding this, because refineries have no funds to cover the negative difference in prices. Today it is said that 100,000 tons of corn would have to be exported to pay for only

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50,000 tons of oil, and that because of the price difference on the domestic market even those who export would lose about 800 million dinars in doing this. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 May 85 p 2]

JOIN SERB-MACEDONIAN PLANT--The largest economic organization in Ohrid, "Emo," is preparing to integrate with the Belgrade SOUR "Minel." The referendum on this is scheduled for 21 June. With the association of these two largest producers of electric power equipment in Serbia and Macedonia, their cooperation up to now will be strengthened; the agreement on pooling labor and funds gives special attention to exporting to foreign markets. It is believed that "Emo," as a result of this integration, will increase total revenue from 6.5 billion dinars last year to 10 billion dinars. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Jun 85 p 1]

"EMO" EQUIPMENT TO ALBANIA--The "Emo" work organization in Ohrid will sell \$1.5 million worth of electric power equipment, including transformer stations, to Albania by the end of this year, or almost 40 percent more than last year. The first \$250,000 worth of equipment has already been delivered and by the end of April one-half a million dollars worth is expected to be exported to Albania. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24 Apr 85 p 2]

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END